The following is the text of a report set out on pages I-1 to I-2, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CTEH INC. AND LEGO CORPORATE FINANCE LIMITED

Introduction

We report on the historical financial information of CTEH Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-71, which comprises the consolidated statements of financial position as at 31 December 2015, 2016 and 2017, the Company statement of financial position as at 31 December 2017, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-71 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 15 June 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2017 and the consolidated financial position of the Group as at 31 December 2015, 2016 and 2017 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which states that no dividends have been paid by CTEH Inc. in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
15 June 2018

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") ("Underlying Financial Statements").

The Historical Financial Information is presented in HK dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		
		2015	**2016**	**2017**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	5	136,196	153,164	153,862
Cost of sales	7	(55,578)	(54,025)	(55,714)
Gross profit		80,618	99,139	98,148
Other income	6	—	—	15
Other gains/(losses), net	6	831	(53)	(808)
Selling expenses	7	(15,590)	(16,040)	(17,683)
Administrative expenses	7	(31,683)	(34,692)	(61,314)
Operating profit		34,176	48,354	18,358
Finance income	9	198	527	554
Finance costs	9	(14)	(819)	(1,015)
Finance income/(costs), net	9	184	(292)	(461)
Profit before income tax		34,360	48,062	17,897
Income tax expense	10	(8,871)	(13,064)	(5,532)
Profit for the year		25,489	34,998	12,365
Other comprehensive income/(loss)				
Items that may be reclassified to profit or loss:				
- Currency translation differences		8,543	(1,622)	(761)

		Year ended 31 December		
		2015	2016	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Other comprehensive income/(loss) for the year, net of tax		8,543	(1,622)	(761)
Total comprehensive income for the year attributable to owners of the Company		34,032	33,376	11,604
Basic and diluted earnings per share (HK$)	11	0.03	0.04	0.01

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2015	2016	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Non-current assets				
Property, plant and equipment	14	1,774	2,195	4,703
Intangible assets	15	249	2,161	4,299
Deferred income tax assets	22	216	155	6,829
Available-for-sale financial assets	17	1,260	1,300	—
		3,499	5,811	15,831
Current assets				
Trade receivables	18	21,346	25,453	28,228
Prepayments, deposits and other receivables	19	11,935	21,190	41,231
Available-for-sale financial assets	17	—	—	1,401
Amount due from a related company	31(a)	870	—	—
Income tax recoverable		—	—	235
Restricted term deposit	21	—	41,405	45,016
Cash and cash equivalents	20	49,030	71,160	65,417
		83,181	159,208	181,528
Total assets		86,680	165,019	197,359
EQUITY				
Equity attributable to the owners of the Company				
Share capital	23(a)	—	—	90
Other reserve	23(b)	(96,086)	(96,086)	(41,256)
Exchange reserve		11,543	9,921	9,160
Retained earnings		49,340	84,338	96,703
Total (deficit)/equity		(35,203)	(1,827)	64,697

	Note	As at 31 December 2015 HK$'000	2016 HK$'000	2017 HK$'000
LIABILITIES				
Non-current liabilities				
Loans from shareholders	31(b)	—	29,440	—
Bank borrowings	26	62	—	—
Deferred income tax liabilities	22	—	241	593
		62	29,681	593
Current liabilities				
Trade payables	24	109	6	25
Amount due to a related company	31(a)	34	817	—
Accruals and other payables	25	53,989	76,601	94,801
Income taxes payable		5,437	8,744	—
Bank borrowings	26	155	62	37,243
Redeemable preference shares	27	62,097	50,935	—
		121,821	137,165	132,069
Total liabilities		121,883	166,846	132,662
Total equity and liabilities		86,680	165,019	197,359
Net current (liabilities)/assets		(38,640)	22,043	49,459
Total assets less current liabilities		(35,141)	27,854	65,290

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 December 2017 HK$'000
ASSETS		
Non-current assets		
Investment in a subsidiary	13	540,000
Deferred income tax assets	22	6,674
		546,674
Current assets		
Deferred listing expenses	19	6,619
Total assets		553,293
EQUITY		
Equity attributable to the owners of the Company		
Share capital	23(a)	90
Other reserve	23(c)	539,909
Accumulated losses		(14,385)
Total equity		525,614
Current liabilities		
Amounts due to subsidiaries	31(c)	27,679
Total liabilities		27,679
Total equity and liabilities		553,293
Net current liabilities		(21,060)
Total assets less current liabilities		525,614

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				
		Share capital	**Other reserve**	**Exchange reserve**	**Retained earnings**	**Total**
	Note	*HK$'000 (Note 23)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2015		—	(96,086)	3,000	36,065	(57,021)
Comprehensive income						
Profit for the year		—	—	—	25,489	25,489
Other comprehensive income						
Currency translation differences		—	—	8,543	—	8,543
Total comprehensive income for the year		—	—	8,543	25,489	34,032
Transaction with owners						
Dividends in relation to common shares	12	—	—	—	(12,214)	(12,214)
Balance at 31 December 2015		—	(96,086)	11,543	49,340	(35,203)
Balance at 1 January 2016		—	(96,086)	11,543	49,340	(35,203)
Comprehensive income						
Profit for the year		—	—	—	34,998	34,998
Other comprehensive loss						
Currency translation differences		—	—	(1,622)	—	(1,622)
Total comprehensive (loss)/income for the year		—	—	(1,622)	34,998	33,376
Balance at 31 December 2016		—	(96,086)	9,921	84,338	(1,827)

		Attributable to owners of the Company				
		Share capital	**Other reserve**	**Exchange reserve**	**Retained earnings**	**Total**
	Note	*HK$'000* *(Note 23)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 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 for the year		—	—	(761)	12,365	11,604
Transaction with owners						
Exchange of redeemable preference shares upon Reorganisation	1.2, 27	—	54,920	—	—	54,920
Incorporation of the Company	23	1	(1)	—	—	—
Issue of shares during Reorganisation	23	89	(89)	—	—	—
Balance at 31 December 2017		90	(41,256)	9,160	96,703	64,697

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2015	2016	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from operating activities				
Cash generated from operations	28	31,076	59,793	20,769
Interest paid	9	(14)	(819)	(1,015)
Income tax paid		(4,718)	(9,572)	(18,803)
Net cash generated from operating activities		26,344	49,402	951
Cash flows from investing activities				
Purchase of property, plant and equipment	14	(1,833)	(1,124)	(3,615)
Proceeds from sale of property, plant and equipment	28	246	—	—
Purchase of intangible assets	15	(236)	(2,189)	(3,361)
Increase in restricted term deposit		—	(42,003)	—
Interest received		198	527	185
Net cash used in investing activities		(1,625)	(44,789)	(6,791)
Cash flow from financing activities				
Dividends paid to the Company's shareholders	12	(12,214)	—	—
Redemption of redeemable preferences shares	27	(8,455)	(13,470)	—
Proceeds from bank borrowings		—	—	36,036
Repayment of bank borrowings		(155)	(155)	(62)
Proceeds from loans from shareholders		—	29,865	—
Repayment of loans from shareholders		—	—	(29,707)
Payment of deferred listing expenses		—	—	(8,107)
Net cash (used in)/generated from financing activities		(20,824)	16,240	(1,840)
Net increase/(decrease) in cash and cash equivalents		3,895	20,853	(7,680)
Cash and cash equivalents at beginning of the year		54,084	49,030	71,160
Effect of currency translation differences		(8,949)	1,277	1,937
Cash and cash equivalents at end of the year		49,030	71,160	65,417

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information, reorganisation and basis of presentation

1.1 General information

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

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

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

1.2 Reorganisation

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 throughout the Track Record Period.

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 1 August 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 18 August 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. 18 August 2017), one share of the Company was allotted and issued to RT Group, which is owned by Mrs. Tsang.

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

iv) On 18 September 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.

v) On 9 October 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 abovementioned 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 9 October 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 9 October 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 9 October 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 9 October 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.

Upon the completion of the Reorganisation and as at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Company name	Country/ place and date of incorporation	Type of legal status	Issued and paid up/ registered capital	Effective interest held As at 31 December 2015	2016	2017	As at the date of this report	Principal activities	Note
Directly held subsidiaries									
BVTEHU Inc.	Ontario, Canada, 1 August 2017	Limited liability company	101 common shares	N/A	N/A	100%	100%	Investment holding	(a)
Indirectly held subsidiaries									
BVTEHC Inc.	Ontario, Canada, 1 August 2017	Limited liability company	100 common shares	N/A	N/A	100%	100%	Investment holding	(a)
1134351 B.C.	British Columbia, Canada, 18 September 2017	Unlimited liability company	100 common shares	N/A	N/A	100%	100%	Investment holding	(a)
Tour East Holidays (Canada) Inc.	Ontario, Canada, 1 January 1976	Limited liability company	107 common shares	100%	100%	100%	100%	Engaged in air ticket distribution, travel business process management and provision of travel products and services	(b)
Tour East Holidays (New York) Inc.	New York, United States, 14 November 1980	Limited liability company	200 common shares	100%	100%	100%	100%	Engaged in air ticket distribution, travel business process management and provision of travel products and services	(c)

Notes:

(a) No audited financial statements for these subsidiaries now comprising the Group were available for the years ended 31 December 2015, 2016 and 2017 as they were newly incorporated in 2017.

(b) The financial statements of this company for the years ended 31 December 2015 and 2016 were audited by PricewaterhouseCoopers LLP, Canada. No audited financial statements have been issued for this company for the year ended 31 December 2017.

(c) No audited financial statements have been issued for this company as there is no statutory audit requirement in its place of incorporation.

All companies comprising the Group have adopted 31 December as their financial year end date.

1.3 Basis of presentation

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 for the Track Record Period have been prepared as if the current group structure had been in existence throughout the Track Record Period presented 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 the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") and related interpretations. The Historical Financial Information has 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 Historical Financial Information 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 Historical Financial Information, are disclosed in Note 4.

2.1.1 Changes in accounting policies and disclosures

New standards, amendments and interpretations to existing standards not yet adopted by the Group

The following are new standards, amendments and interpretations to existing standards that have been issued and are relevant to the Group but not yet effective for the Track Record Period and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
IFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
IFRS 4 (Amendments)	Applying IFRS 9 financial instruments with IFRS 4 insurance contracts	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 15 (Amendments)	Clarifications to IFRS 15	1 January 2018
IAS 40 (Amendments)	Transfers of investment property	1 January 2018
Annual improvement project	Annual improvements 2014-2016 cycle	1 January 2018
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018
IFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
IFRS 16	Leases	1 January 2019
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate and joint venture	To be determined

IFRS 9, "Financial instruments"

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL, replacing the incurred loss model in IAS 39, and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to the change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

The standard is effective for annual periods beginning on or after 1 January 2018 and early adoption is permitted.

The Group does not plan to early adopt IFRS 9. Management has assessed the impact of the adoption of IFRS 9 and does not expect the adoption to have a material impact to the Group's Historical Financial Information.

IFRS 15, "Revenue from contracts with customers"

IFRS 15 replaces the current revenue standards: IFRS 18 Revenue and IAS 11 Construction Contracts, and the related interpretations on revenue recognition. IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much to recognise through a 5-step approach: (1) identify the contract(s) with customer(s); (2) identify separate performance obligations in a contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations; and (5) recognise revenue when the performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It replaces the current revenue recognition model based on an earnings process with a new framework based on an asset-liability approach and transfer of control.

IFRS 15 provides specific guidance on capitalisation of contract costs and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard is effective for annual periods beginning on or after 1 January 2018 and early adoption is permitted.

The Group does not plan to early adopt IFRS 15. Management has assessed the impact of the adoption of IFRS 15 by analysing the Group's key revenue streams against the 5-step approach, and does not expect the adoption to have a material impact on the Group's Historical Financial Information, other than presenting additional disclosures.

IFRS 16, "Leases"

IFRS 16 replaces the current standards related to leases: IAS 17 Leases and related interpretations. Under IAS 17, lessees were required to make a distinction between a finance lease (on the consolidated statements of financial position) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. The new standard will impact both the consolidated statements of financial position and related ratios (capital adequacy ratio and leverage ratio).

The standard is effective for annual periods beginning on or after 1 January 2019 and early adoption is permitted.

The Group does not plan to early adopt IFRS 16. Total operating lease commitments of the Group in respect of leased premises as a lessee as at 31 December 2017 amounted to HK$3,868,000. The directors of the Group do not expect the adoption of IFRS 16 would result in a significant impact on the Group's results, but it is expected that a significant portion of the lease commitment will be recognised in the consolidated statements of financial position as right-of-use assets and lease liabilities.

Apart from the aforementioned IFRS 9, IFRS 15 and IFRS 16, the Group is in the process of making an assessment of the impact of these new standards, amendments and interpretations to existing standards upon initial application but is not yet in a position to state whether these new standards, amendments and interpretations to existing standards would have any significant impact on its results of operations and financial position.

2.2 Consolidation

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.

Except for the Reorganisation set out in note 1.2 to the Historical Financial Information, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis.

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.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial information exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

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 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 Historical Financial Information is presented in HK$, which is the Group's presentation currency because the Historical Financial Information is used by the Group for external reporting purposes in Hong Kong. The Company's functional currency is the Canadian dollar ("CAD").

(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 statements 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:

- capital balances for each consolidated statement of financial position presented are translated at the historical rate at the transaction date;

- all other assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the period-end date;

- 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.

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 statements 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.

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 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except where expected maturity is greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise of trade receivables, deposits and other receivables, amount due from a related company, the restricted term deposit and cash and cash equivalents in the consolidated statements of financial position.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Loans and receivables are subsequently carried at amortised cost using the effective interest method, and available-for-sale financial assets are measured at fair value on each reporting date.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is recorded in the consolidated statements 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.

2.11 Impairment of financial assets

(a) Financial assets carried at amortised cost

The Group assesses at each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is reclassified from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the other comprehensive income.

2.12 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.

2.13 Cash and cash equivalents

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

2.14 Restricted term deposit

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

2.15 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.

2.16 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.

2.17 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.

2.18 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 statements of comprehensive income in the period in which they are incurred.

2.19 Redeemable preference shares

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 redeemable preference shares are initially recognised as interest-bearing borrowings set out in Note 2.17 in accordance with the Group's policy and accordingly dividends thereon are recognised on an accrual basis in the consolidated statements of comprehensive income as part of interest expense. The redeemable preference shares are subsequently recorded at amortised cost.

2.20 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 Historical Financial Information. 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.

2.21 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.

2.22 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.

(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.

2.23 Revenue recognition

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 fees from travel companies, sales of package tours and margin income from sales of other travel products and services, e.g. non-guided customised tours, hotel plus flight packages, car rentals, travel insurance. Margin income is recognised on a net basis. 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;

- Revenue from travel business process management are recognised as services are performed;

- Revenue from sales of company-operated package tours is recognised on a gross basis and when the services are rendered by the Group on a straight-line basis over the duration of the tours; 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.

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; (3) the Group has latitude in establishing prices; and (4) the Group bears the credit risk for collecting cash from customers. The Group's management performed the assessment based on the above mentioned factors on each revenue stream.

2.24 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.

2.25 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 statements 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.

2.26 Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's Historical Financial Information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

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.

(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 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Assets			
USD	5,416	9,694	7,022
Others	249	70	82
	5,665	9,764	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 31 December 2015, 2016 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$398,000 higher/lower, HK$713,000 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 31 December 2017. Bank borrowings denominated in CAD are subject to floating interest rates at the Canadian prime rate.

As at 31 December 2015 and 2016, the Group's exposure to interest rate risk is not considered to be significant.

As at 31 December 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.

(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 31 December 2015, 2016 and 2017, the top three debtors accounted for approximately 75%, 67% and 62% respectively of the Group's trade receivables balance. 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.

(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 statements 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	Between 1 and 2 years	Between 2 and 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2015				
Trade payables	109	—	—	109
Amount due to a related company	34	—	—	34
Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses)	45,965	—	—	45,965
Bank borrowings and interest payments	161	63	—	224
Redeemable preference shares	62,097	—	—	62,097
	108,366	63	—	108,429
As at 31 December 2016				
Trade payables	6	—	—	6
Amount due to a related company	817	—	—	817
Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses)	66,080	—	—	66,080
Bank borrowings and interest payments	63	—	—	63
Redeemable preference shares	50,935	—	—	50,935
Loans from shareholders	896	29,440	—	30,336
	118,797	29,440	—	148,237
As at 31 December 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

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.

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 total borrowings (including "current and non-current borrowings", "redeemable preference shares" and "loans from shareholders" as shown in the consolidated statements of financial position) less cash and cash equivalents. Total capital is calculated as "equity/(deficit)", as shown in the consolidated statements of financial position.

The debt-to-equity ratios in the Track Record Period were as follows:

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Bank borrowings (Note 26)	217	62	37,243
Redeemable preference shares (Note 27)	62,097	50,935	—
Loans from shareholders (Note 31(b))	—	29,440	—
Less:			
Cash and cash equivalents (Note 20)	(49,030)	(71,160)	(65,417)
Net debt/(cash)	13,284	9,277	(28,174)
Total (deficit)/equity	(35,203)	(1,827)	64,697
Debt-to-equity ratio	N/A	N/A	N/A

As at 31 December 2015, 2016 and 2017, the Group has banking facilities available in the form of letters of guarantee of HK$7,340,000, HK$60,534,000 and HK$195,932,000, and in the form of an on demand non-revolving loan of nil, nil and HK$68,478,000, respectively. During the Track Record Period, the Group is in compliance with all banking covenants (Note 26).

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2015, 2016 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 31 December 2015, 2016 and 2017.

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2015				
Assets				
Available-for-sale financial assets	1,260	—	—	1,260
As at 31 December 2016				
Assets				
Available-for-sale financial assets	1,300	—	—	1,300
As at 31 December 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 will mature on 1 December 2018 (Note 17). The fair value is determined with reference to a quoted price in active markets.

There were no transfers among different categories during the Track Record Period.

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

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 airlines. The determination of the amount of incentive commissions earned in each reporting period requires estimation of the likelihood of achieving various targets, including transaction volumes and growth targets being achieved under these contracts.

The amount of revenue recognised for each period is the total anticipated revenue earned based on the achievement of the targets explained above. 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 31 December 2015, 2016 and 2017, the Group has incentive commissions revenue of HK$45,918,000, HK$57,861,000 and HK$54,582,000, and incentive commissions receivables of HK$19,212,000, HK$24,652,000 and HK$27,329,000 respectively (Note 18).

(b) Income taxes

The Group is subject to income taxes in Canada and the U.S. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

(c) Provision for impairment of trade and other receivables

The provision for impairment of trade and other receivables is determined based on the evaluation of the collectability of these receivables. Significant judgement is exercised in the assessment of the collectability of receivables. In making its judgement, management considers a wide range of factors such as results of follow-up procedures performed, payment trends including subsequent payments and financial positions of the debtors.

(d) Recognition of deferred tax asset

At 31 December 2015, 2016 and 2017, a deferred tax asset of HK$216,000, HK$155,000 and HK$6,829,000 in relation to unused tax losses was recognised in the consolidated financial statements, over which 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 Track Record Period. In this regard, management has identified three reportable operating segments, namely (1) Air ticket distribution, (2) Travel business process management and (3) Travel products and services.

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

— Air ticket distribution: The Group sells air tickets on behalf of airlines in exchange for margin income and incentive commissions from airlines.

— Travel business process management: The Group performs certain administrative and management services mainly for travel agencies in exchange for travel business process management fees.

— Travel products and services: The Group packages various travel products from suppliers into company-operated tours. The Group also sells other travel products and services, where the travelers are responsible for their trips using travel services sourced by the Group.

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

The segment information provided to the executive directors for the Track Record Period is as follows:

	Year ended 31 December 2015			
	Air ticket distribution	**Travel business process management**	**Travel products and services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	75,287	21,183	39,726	136,196
Segment results	42,366	13,075	1,926	57,367
Other income				831
Administrative expenses				(24,022)
Finance income, net				184
Profit before income tax				34,360
Income tax expense				(8,871)
Profit for the year				25,489
Other segment items:				
Depreciation and amortisation	232	128	146	506
Capital expenditure	722	397	454	1,573

	Year ended 31 December 2016			
	Air ticket distribution	**Travel business process management**	**Travel products and services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	94,930	23,968	34,266	153,164
Segment results	53,892	14,818	2,551	71,261
Other losses				(53)
Administrative expenses				(22,854)
Finance income, net				(292)
Profit before income tax				48,062
Income tax expense				(13,064)
Profit for the year				34,998
Other segment items:				
Depreciation and amortisation	386	275	199	860
Capital expenditure	1,269	572	654	2,495

	Year ended 31 December 2017			
	Air ticket distribution	**Travel business process management**	**Travel products and services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	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

The Group's revenue from Air ticket distribution, Travel business process management and Travel products and services for the Track Record Period are as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Air ticket distribution	75,287	94,930	92,863
Travel business process management	21,183	23,968	28,849
Travel products and services			
— Company-operated tours	36,702	30,719	28,197
— Other travel products and services	3,024	3,547	3,953
	136,196	153,164	153,862

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

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Company A	30,144	28,932	29,423
Company B	20,515	19,828	23,297
	50,659	48,760	52,720

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 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Canada	130,158	140,745	142,946
United States	6,038	12,419	10,916
	136,196	153,164	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:

	As at 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Canada	78,822	149,351	173,381
United States	7,858	15,668	23,978
	86,680	165,019	197,359

All non-current assets, other than deferred income tax assets of approximately HK$216,000, HK$155,000 and HK$155,000 for the years ended 31 December 2015, 2016 and 2017, are located in Canada.

6 Other income and other gains/(losses), net

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Other income			
Insurance pay out	—	—	15
Other gains/(losses), net			
Foreign exchange gain/(loss)	595	(51)	(808)
Gain/(loss) on disposal of property, plant and equipment	236	(2)	—
	831	(53)	(808)

7 Expenses by nature

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Cost of packaged tours and tickets	31,654	26,968	28,111
Employee benefit expenses (including directors' emoluments) (Note 8)	50,407	52,573	55,380
Office, telecommunication and utility expenses	3,308	3,286	3,689
Operating lease rental payments	2,704	2,670	2,468
Advertising and promotion	2,273	2,785	4,269
Consulting fees for sales development	1,091	1,172	—
Credit card fees	1,047	1,052	920
Auditor's remuneration			
— Audit service	428	489	237
— Non-audit service	157	81	17
Depreciation of property, plant and equipment (Note 14)	447	751	1,354
Amortisation of intangible assets (Note 15)	219	258	1,456
Legal and professional fees	242	47	202
Service fees	2,950	6,240	8,119
Listing expenses	—	—	19,571
Others	5,924	6,385	8,918
Total cost of sales, selling and administrative expenses	102,851	104,757	134,711

8 Employee benefits expenses (including directors' emoluments)

	Year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Directors' fees, salaries, bonuses and allowances	47,097	48,866	50,952
Pension costs	1,478	1,547	1,828
Other employee benefits	1,832	2,160	2,600
	50,407	52,573	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 Track Record Period, there are no forfeited contributions available to offset future retirement benefit obligations of the Group.

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included three directors for the year ended 31 December 2015, and two directors for the years ended 31 December 2016 and 31 December 2017. The emoluments of these directors are reflected in the analysis shown in Note 32(a). The emoluments paid/payable to the remaining individuals during the Track Record Period are as follows:

	Year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Salaries, allowances and benefits	1,481	3,061	2,678
Pension costs	30	30	46
Bonuses	364	410	—
	1,875	3,501	2,724

The emoluments fell within the following bands:

	Year ended 31 December		
	2015	2016	2017
Emolument bands			
Nil to HK$500,000	—	—	—
HK$500,001 to HK$1,000,000	1	2	2
HK$1,000,001 to HK$1,500,000	1	—	1
HK$1,500,001 to HK$2,000,000	—	1	—
	2	3	3

9 Finance income/(costs), net

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Finance income			
— Interest income	198	527	554
Finance costs			
— Interest expense on loans from shareholders	—	(813)	(448)
— Interest expense on bank borrowings	(14)	(6)	(567)
	(14)	(819)	(1,015)
Finance income/(costs), net	184	(292)	(461)

10 Income tax expense

Canadian corporate income tax has been provided at the rate of 26.5% for the Track Record Period on the Group's respective taxable income. United States federal income tax has been provided at the rate of 34% for the Track Record Period on the Group's respective taxable income and the United States state and city tax has been calculated on the estimated assessable profit at 9.78% for the Track Record Period.

On 22 December 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 31 December 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.

The amount of income tax expense recorded in the consolidated statements of comprehensive income represents:

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Current income tax			
— Canadian corporate income tax	7,965	10,856	7,927
— United States federal income tax	512	1,363	1,310
— United States state income tax	338	493	420
— (Over)/under provision in prior years	(29)	50	709
Deferred income tax (Note 22)	85	302	(4,834)
Income tax expense	8,871	13,064	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 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax	34,360	48,062	17,897
Tax calculated at domestic tax rates applicable to profits in the respective countries	9,949	13,598	4,989
Income not subject to tax	(327)	(619)	(167)
Expenses not deductible for tax purposes	22	35	1
Utilisation of previously unrecognised tax losses	(550)	—	—
Recognition of previously unrecognised deferred tax loss	(194)	—	—
(Over)/under provision in prior years	(29)	50	709
Income tax expense	8,871	13,064	5,532

11 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to owners of the Company by the weighted average number of ordinary shares issued during the Track Record Period. In determining the weighted average number of shares in issue during the Track Record Period, 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 as described in note 1.2, had been treated as if such shares were issued on 1 January 2015.

	Year ended 31 December		
	2015	**2016**	**2017**
Profit attributable to owners of the Company (HK$'000)	25,489	34,998	12,365
Weighted average number of ordinary shares in issue (Number of shares in thousand)	900,000	900,000	900,000
Basic and diluted earnings per shares (HK$)	0.03	0.04	0.01

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Potential ordinary shares are dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share. During the years ended 31 December 2015, 2016 and 2017, the Group has no dilutive potential ordinary shares.

12 Dividends

No dividend has been paid or declared by the Company since its incorporation.

Dividends during each of the years ended 31 December 2015, 2016 and 2017 represented dividends declared by the companies now comprising the Group to the ordinary and preference shareholders of the companies for each of the years ended 31 December 2015, 2016 and 2017, after elimination of intra-group dividends. The rates for dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report

13 Investment in a subsidiary

	As at 31 December 2017
	HK$'000
Investment in unlisted shares	540,000

Investment in a subsidiary is recorded at cost, which represents the fair value on the date of acquisition. Details of the direct and indirect subsidiaries of the Company are set out in Note 1.2.

14 Property, plant and equipment

	Leasehold improvements	Furniture, fixtures and office equipment	Computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2015					
Cost					
At 1 January 2015	603	3,399	2,570	1,136	7,708
Additions	751	151	931	—	1,833
Disposals	(120)	—	—	(605)	(725)
Exchange differences	(146)	(562)	(488)	(138)	(1,334)
At 31 December 2015	1,088	2,988	3,013	393	7,482
Accumulated depreciation					
At 1 January 2015	445	3,237	2,289	1,136	7,107
Charge for the year	138	81	228	—	447
Disposals	(110)	—	—	(605)	(715)
Exchange differences	(74)	(531)	(388)	(138)	(1,131)
At 31 December 2015	399	2,787	2,129	393	5,708
Net book amount	689	201	884	—	1,774
Year ended 31 December 2016					
Cost					
At 1 January 2016	1,088	2,988	3,013	393	7,482
Additions	113	399	612	—	1,124
Disposals	—	(28)	(10)	—	(38)
Exchange differences	32	87	86	12	217
At 31 December 2016	1,233	3,446	3,701	405	8,785
Accumulated depreciation					
At 1 January 2016	399	2,787	2,129	393	5,708
Charge for the year	158	76	517	—	751
Disposals	—	(26)	(10)	—	(36)
Exchange differences	10	86	59	12	167
At 31 December 2016	567	2,923	2,695	405	6,590
Net book amount	666	523	1,006	—	2,195

	Leasehold improvements	Furniture, fixtures and office equipment	Computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2017					
Cost					
As at 1 January 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
At 31 December 2017	3,537	2,590	4,818	437	11,382
Accumulated depreciation					
As at 1 January 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
At 31 December 2017	1,018	1,686	3,538	437	6,679
Net book amount	2,519	904	1,280	—	4,703

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

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Selling expenses	340	566	998
Administrative expenses	107	185	356
	447	751	1,354

15 Intangible assets

	Computer software HK$'000
Year ended 31 December 2015	
Cost	
At 1 January 2015	2,632
Additions	236
Exchange differences	(444)
At 31 December 2015	2,424
Accumulated amortisation	
At 1 January 2015	2,354
Charge for the year	219
Exchange differences	(398)
At 31 December 2015	2,175
Net book amount	249
Year ended 31 December 2016	
Cost	
At 1 January 2016	2,424
Additions	2,189
Exchange differences	45
At 31 December 2016	4,658
Accumulated amortisation	
At 1 January 2016	2,175
Charge for the year	258
Exchange differences	64
At 31 December 2016	2,497
Net book amount	2,161

	Computer software
	HK$'000
Year ended 31 December 2017	
Cost	
At 1 January 2017	4,658
Additions	3,361
Exchange differences	476
At 31 December 2017	8,495
Accumulated amortisation	
At 1 January 2017	2,497
Charge for the year	1,456
Exchange differences	243
At 31 December 2017	4,196
Net book amount	4,299

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

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Selling expenses	166	194	1,074
Administrative expenses	53	64	382
	219	258	1,456

16 Financial instruments by category

	Loans and receivables	Available-for-sale financial asset	Total
	HK$'000	*HK$'000*	*HK$'000*
Assets as per consolidated statements of financial position			
As at 31 December 2015			
Trade receivables	21,346	—	21,346
Deposits and other receivables	9,756	—	9,756
Available-for-sale financial asset	—	1,260	1,260
Amount due from a related company	870	—	870
Cash and cash equivalents	49,030	—	49,030
Total	81,002	1,260	82,262
As at 31 December 2016			
Trade receivables	25,453	—	25,453
Deposits and other receivables	17,926	—	17,926
Available-for-sale financial asset	—	1,300	1,300
Restricted term deposit	41,405	—	41,405
Cash and cash equivalents	71,160	—	71,160
Total	155,944	1,300	157,244
As at 31 December 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

	Liabilities at amortised cost
	HK$'000
Liabilities as per consolidated statements of financial position	
As at 31 December 2015	
Trade payables	109
Amount due to a related company	34
Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses)	45,965
Bank borrowings	217
Redeemable preference shares	62,097
Total	108,422
As at 31 December 2016	
Trade payables	6
Amount due to a related company	817
Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses)	66,080
Bank borrowings	62
Redeemable preference shares	50,935
Loans from shareholders	29,440
Total	147,340
As at 31 December 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

17 Available-for-sale financial assets

Available-for-sale financial assets mainly represent a government bond held by the Canadian government and an investment in a related party.

The carrying value of the government bond held by the Canadian government denominated in CAD amounts to $225,000 as at 31 December 2015, 2016 and 2017 (equivalent to approximately HK$1,260,000, HK$1,300,000 and HK$1,401,000 as at 31 December 2015, 2016 and 2017). The interest rate for the bond is 2.2% with a maturity date of 1 December 2018.

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

The investment in a related party, 1372979 Ontario Inc., is in the form of 5,000 non-voting preferred shares. The carrying amount of this investment was CAD$1 (equivalent to HK$6) as at 31 December 2015 and 2016. The Group disposed of these preference shares on 1 January 2017 at their carrying value, which is equal to their fair value, giving rise to no gain or loss.

18 Trade receivables

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Incentive commission receivables	19,212	24,652	27,329
Other trade receivables	2,134	801	899
	21,346	25,453	28,228

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

The Group has not provided for any impairment of trade receivables at each reporting date, as all receivables have been historically collected.

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

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
0 to 60 days	20,943	24,066	27,746
61 to 120 days	387	1,320	228
121 to 180 days	—	—	90
181 to 365 days	16	67	164
	21,346	25,453	28,228

As at 31 December 2015, 2016 and 2017, trade receivables of HK$403,000, HK$1,387,000 and HK$482,000 respectively were 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 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Overdue			
Less than 30 days	3	—	—
31 to 90 days	384	1,387	228
Over 90 days	16	—	254
	403	1,387	482

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

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
CAD	17,238	20,358	25,932
USD	4,108	5,095	2,296
	21,346	25,453	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 – Group and Company

	Group			Company
	As at 31 December			As at 31 December
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Rental and other deposits	1,285	1,291	1,330	—
Prepaid expenses	867	995	572	—
Prepaid tour and air ticket costs	1,312	2,269	4,021	—
Deferred listing expenses	—	—	6,619	6,619
Receivables from travel companies for ticket costs	7,834	16,123	28,161	—
Other receivables	637	512	528	—
	11,935	21,190	41,231	6,619

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:

	Group			Company
	As at 31 December			As at 31 December
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
CAD	7,497	10,307	19,113	—
USD	2,246	7,607	10,892	—
Others	13	12	14	—
	9,756	17,926	30,019	—

20 Cash and cash equivalents

	As at 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Cash on hand	62	61	67
Cash at banks	48,968	71,099	65,350
	49,030	71,160	65,417

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

	As at 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
CAD	42,047	58,557	48,183
USD	6,734	12,533	17,062
Others	249	70	172
	49,030	71,160	65,417

As at 31 December 2015, 2016 and 2017, the Group has cash held in trust accounts from customers of HK$16,826,000, HK$14,911,000 and HK$26,257,000, respectively, 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 31 December 2016 and 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 26). The interest rate ranges from 0.85% to 1% per annum and the term deposit was mature on 2 February 2018.

22 Deferred income tax — Group and Company

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

	Group			Company
	As at 31 December			As at 31 December
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred income tax assets				
— to be recovered after more than 12 months	22	21	5,347	5,339
— to be recovered within 12 months	194	134	1,482	1,335
	216	155	6,829	6,674
Deferred income tax liabilities				
— to be recovered after more than 12 months	—	(241)	(593)	—

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

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

	HK$'000
At 1 January 2015	301
Charged to the consolidated statements of comprehensive income (Note 10)	(85)
At 31 December 2015	216
At 1 January 2016	216
Charged to the consolidated statements of comprehensive income (Note 10)	(302)
At 31 December 2016	(86)
At 1 January 2017	(86)
Charged to the consolidated statements of comprehensive income (Note 10)	4,834
Netted against deferred listing expenses	1,488
At 31 December 2017	6,236

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

Deferred income tax assets — Group and Company

	Decelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2015	301	—	301
(Charged)/credited to the consolidated statements of comprehensive income (Note 10)	(279)	194	(85)
At 31 December 2015	22	194	216
At 1 January 2016	22	194	216
Charged to the consolidated statements of comprehensive income (Note 10)	(22)	(39)	(61)
At 31 December 2016	—	155	155
At 1 January 2017	—	155	155
Credited to the consolidated statements of comprehensive income (Note 10)	—	5,186	5,186
Netted against deferred listing expense	—	1,488	1,488
At 31 December 2017	—	6,829	6,829

As at 31 December 2017, the Company has recognised deferred tax asset of HK$6,674,000 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 — Group

	Accelerated tax depreciation
	HK$'000
At 1 January 2015 and 2016	—
Charged to the consolidated statements of comprehensive income (Note 10)	(241)
At 31 December 2016	(241)
At 1 January 2017	(241)
Charged to the consolidated statements of comprehensive income (Note 10)	(352)
At 31 December 2017	(593)

The Group has U.S. state and city tax losses in the amount of HK$1,599,000, HK$1,422,000 and HK$1,250,000 for the years ended 31 December 2015, 2016 and 2017, respectively, which are available for offsetting against future taxable profits of the company in which the losses arose. These tax losses expire by 31 December 2038 and are subject to further approval by the relevant tax authority. The Group has capital tax losses in Canada of HK$347,000, HK$336,000 and HK$345,000 for the years ended 31 December 2015, 2016 and 2017, respectively, with no expiry dates. There is no unrecognised deferred tax asset resulting from tax losses during the Track Record Period.

23 Share capital and other reserve — Group and Company

(a) Share capital — Group and Company

	Note	Number of ordinary shares	Nominal value of ordinary shares
			HK$'000
Authorised:			
Ordinary shares of HK$0.0001 each as at 31 December 2017 ('000)		90,000,000	9,000
Issued:			
At 18 August 2017 (date of incorporation)	(i)	1	1
Issue of shares during Reorganisation	(ii)	899,999,999	89
At 31 December 2017		900,000,000	90

Notes:

(i) On 18 August 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 9 October 2017, the Company issued and allotted 899,999,999 shares of the Company to RT Group, AT Holdings and DC Holdings (Note 1.2) and offset against "other reserve".

(b) Other reserve — Group

The other reserve presented in the consolidated statements of financial position during the Track Record Period 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 1 September 2011.

Upon completion of the exchange of redeemable preference shares into the ordinary shares of the Company on 9 October 2017 for Reorganisation (Note 1.2), the carrying amount of redeemable preference shares amounting to HK$54,920,000 was recorded in other reserve (Note 27).

(c) Other reserve — Company

As part of the Reorganisation (Note 1.2), 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.

24 Trade payables

The aging analysis of the trade payables based on invoice dates is as follows:

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
0 to 30 days	109	6	24
31 to 60 days	—	—	1
61 to 90 days	—	—	—
Over 90 days	—	—	—
	109	6	25

The carrying amounts of the trade payables approximate their fair values as at 31 December 2015, 2016 and 2017 and are all denominated in CAD.

25 Accruals and other payables — Group and Company

	Group			Company
	As at 31 December			As at 31 December
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accrued staff costs and management fees	3,603	3,989	1,760	—
Accrued expenses	4,514	5,009	5,350	—
Payables to airlines (Note)	21,144	25,664	47,286	—
Receipt in advance from a customer in relation to travel business process management	15,219	29,061	25,758	—
Deferred revenue	3,516	5,370	7,132	—
Sales tax payable	905	1,162	791	—
Payables to travel companies	1,702	1,490	1,198	—
Other payables	3,386	4,856	5,526	—
	53,989	76,601	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 31 December 2015, 2016 and 2017. The carrying amounts of the accruals and other payables (excluding non-financial liabilities) are denominated in the following currencies:

	Group			Company
	As at 31 December			As at 31 December
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
CAD	43,456	62,849	72,299	—
USD	2,509	3,231	12,819	—
	45,965	66,080	85,118	—

26 Bank borrowings and banking facilities

(a) Bank borrowings

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Interest-bearing bank loans			
CAD denominated			
— Current	—	—	37,243
USD denominated			
— Current	155	62	—
— Non-current	62	—	—
	217	62	37,243

The bank loans due for repayment, based on the scheduled repayment dates set out in the loan agreements, are as follows:

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Interest-bearing bank loans			
— Within 1 year	155	62	37,243
— Between 1 to 2 years	62	—	—
	217	62	37,243

The carrying amounts of the bank borrowings approximate their fair values.

The weighted average interest rate is 4.8%, 4.2% and 3.1% for the years ended 31 December 2015, 2016 and 2017 respectively.

(b) Banking facilities

As at 31 December 2015, 2016 and 2017, the Group has banking facilities available in the form of letters of guarantee of HK$7,340,000, HK$60,534,000 and HK$195,932,000, in which HK$620,000, HK$42,054,000 and HK$69,341,000 are utilised and provided to IATA and Airline Reporting Corporation for financial security, and in the form of an on demand non-revolving loan of nil, nil and HK$68,478,000, respectively.

As at 31 December 2015, 2016 and 2017, the banking facilities were secured by unlimited personal recourse from individuals related to the Group, 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 unlimited personal guarantee was released on 8 September 2017.

As at 31 December 2017, 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$56,028,000. As at 31 December 2016 and 2017 a restricted term deposit is held with the bank in the amount of HK$41,405,000 and HK$45,016,000 respectively (Note 21).

The USD denominated loan is unsecured and was fully repaid as at 30 June 2017.

The Group does not have unutilised on demand non-revolving loan facilities as at 31 December 2015 and 2016. The Group has an unutilised on demand non-revolving loan facility of HK$31,235,000 as at 31 December 2017.

The Group is in compliance with all banking covenants as at 31 December 2015, 2016 and 2017.

27 Redeemable preference shares

As at 31 December 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 31 December 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 statements of financial position as at 31 December 2015 and 2016 as these shares are redeemable at the option of the holders at any time. On 9 October 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 1.2). The redeemable preference shares recognised in the consolidated statements of financial positions is calculated as follows:

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Beginning of year	84,213	62,097	50,935
Payment of redemption of preference shares	(8,455)	(13,470)	—
Exchange of redeemable preference shares upon Reorganisation (Note)	—	—	(54,920)
Exchange differences	(13,661)	2,308	3,985
End of year	62,097	50,935	—

Note:

Upon completion of the exchange of redeemable preference shares into the ordinary shares of the Company on 9 October 2017 for Reorganisation (Note 1.2), the carrying amount of redeemable preference shares amounting to HK$54,920,000 was recorded in other reserve (Note 23(b)).

28 Cash generated from operations

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Profit before income tax	34,360	48,062	17,897
Adjustments for:			
Depreciation of property, plant and equipment	447	751	1,354
Amortisation of intangible assets	219	258	1,456
Finance (income)/costs, net	(184)	292	461
(Gain)/loss on disposal of property, plant and equipment	(236)	2	—
Operating cash flows before changes in working capital	34,606	49,365	21,168
Changes in working capital:			
Trade receivables	(14,346)	(3,497)	(1,560)
Prepayments, deposits and other receivables	(3,480)	(9,016)	(10,511)
Amounts due from/(to) related parties	817	1,745	—
Trade payables	385	(172)	18
Accruals and other payables	13,094	21,368	11,654
Cash generated from operations	31,076	59,793	20,769

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

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment			
Net book value	10	2	—
Gain/(loss) on disposal of property, plant and equipment	236	(2)	—
Proceeds from disposals of property, plant and equipment	246	—	—

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

	As at 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Cash and cash equivalents	49,030	71,160	65,417
Bank borrowings	(217)	(62)	(37,243)
Redeemable preference shares	(62,097)	(50,935)	—
Loans from shareholders	—	(29,440)	—
	(13,284)	(9,277)	28,174

	Cash and cash equivalents	Bank borrowings	Redeemable preference shares	Loans from shareholders	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net debt as at 1 January 2015	54,084	(372)	(84,213)	—	(30,501)
Cash flows	3,895	155	8,455	—	12,505
Foreign exchange adjustments	(8,949)	—	13,661	—	4,712
Net debt as at 31 December 2015	49,030	(217)	(62,097)	—	(13,284)
Cash flows	20,853	155	13,470	(29,865)	4,613
Foreign exchange adjustments	1,277	—	(2,308)	425	(606)
Net debt as at 31 December 2016	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 1.2)	—	—	54,920	—	54,920
Net debt as at 31 December 2017	65,417	(37,243)	—	—	28,174

29 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 in the Historical Financial Information during the Track Record Period.

30 Commitments

Throughout the Track Record Period, 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 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
No later than 1 year	2,556	2,715	2,549
Later than 1 year and no later than 5 years	4,329	3,158	1,319
	6,885	5,873	3,868

31 Related party balances and transactions — Group and Company

For the purposes of the Historical Financial Information, 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 years ended 31 December 2015, 2016 and 2017 as they are owned by certain directors of the Company.

Name	**Relationships**
1372979 Ontario Inc.	Controlled by certain directors
Beijing Dynasty International Travel Co. Ltd.	Controlled by certain directors
Mrs. Tsang	Director
Ms. Tsu	Director
Dr. Chu	Director

The investment in 1372979 Ontario Inc. was disposed of on 1 January 2017 (Note 17) as the directors disposed of their interests in the company. 1372979 Ontario Inc. and Beijing Dynasty International Travel Co. Ltd. are no longer related parties of the Group effective on 1 January 2017.

(a) Amounts due from/(to) related companies

The Group has the following material non-trade balances due from a related party:

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
— 1372979 Ontario Inc.	870	—	—

The Group has the following material trade balances due to a related party:

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
— Beijing Dynasty International Travel Co. Ltd.	(34)	(817)	—

The amounts due from/(to) the related companies are unsecured, interest-free and repayable on demand. The carrying values of these balances approximate their fair values at each reporting date and are denominated in CAD.

(b) Loans from shareholders

Loans from shareholders of HK$29,440,000 as at 31 December 2016 are unsecured, bear interest at 3% per annum and are repayable on 1 January 2018. The loans were early repaid on 30 June 2017.

(c) Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand. The carrying value of these balances approximate their fair values at each reporting date and are denominated in CAD and USD.

(d) Transactions with related parties

In addition to those disclosed elsewhere in the Historical Financial Information, the following transactions were undertaken by the Group with Beijing Dynasty International Travel Co. Ltd. during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Service fees to Beijing Dynasty International Travel Co. Ltd.	2,950	6,240	—
Travel products and services purchases from Beijing Dynasty International Travel Co. Ltd.	3,149	3,071	—
Travel products and services sales to Beijing Dynasty International Travel Co. Ltd.	218	204	—

The transactions were conducted in the ordinary course of business of the Group, and they were mutually agreed by both parties at a fixed sum or charged based on cost incurred. Beijing Dynasty International Travel Co. Ltd. is no longer a related party of the Group upon the disposal of the investment in 1372979 Ontario Inc. on 1 January 2017 (Note 17).

(e) 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 during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Rental expenses of office premise (Note (i))	909	966	1,084
Interest expenses on loans from shareholders (Note (ii))	—	813	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, the term of which are set out in Note 31(b) above.

(f) Financial guarantee

The Group has 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 are secured by the property, and are expiring from 16 March 2021 to 21 September 2021. The unlimited corporate guarantee was released on 8 September 2017.

(g) Key management compensation

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

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Fees	1,818	1,053	1,083
Salaries, allowances and benefits	8,584	8,767	7,674
	10,402	9,820	8,757

32 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of each director paid/payable by the Group for each of the years ended 31 December 2015, 2016 and 2017 are as follows:

Year ended 31 December 2015

	Emoluments paid or receivable in respect of a person's services as a Director, whether of the Company or its subsidiaries undertaking								
	Fees	**Salary**	**Discretionary bonuses**	**Housing allowance**	**Estimated money value of other benefits**	**Employer's contribution of a retirement benefit scheme**	**Remunerations paid or receivable in respect of accepting office as director**	**Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors									
Mrs. Tsang	606	—	—	—	—	—	—	2,577	3,183
Ms. Tsu	606	—	—	—	—	—	—	2,577	3,183
Dr. Chu	606	—	—	—	—	—	—	—	606
	1,818	—	—	—	—	—	—	5,154	6,972

Year ended 31 December 2016

	Emoluments paid or receivable in respect of a person's services as a Director, whether of the Company or its subsidiaries undertaking								
	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Employer's contribution of a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors									
Mrs. Tsang	351	—	—	—	—	—	—	2,109	2,460
Ms. Tsu	351	—	—	—	—	—	—	2,109	2,460
Dr. Chu	351	—	—	—	—	—	—	—	351
	1,053	—	—	—	—	—	—	4,218	5,271

Year ended 31 December 2017

	Emoluments paid or receivable in respect of a person's services as a Director, whether of the Company or its subsidiaries undertaking								
	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Employer's contribution of a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors									
Mrs. Tsang	361	—	—	—	—	—	—	2,168	2,529
Ms. Tsu	361	—	—	—	—	—	—	2,168	2,529
Dr. Chu	361	—	—	—	—	—	—	—	361
	1,083	—	—	—	—	—	—	4,336	5,419

There was no arrangement during the Track Record Period under which a director waived or agreed to waive any remuneration, and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

Mrs. Tsang and Ms. Tsu were appointed as the Company's executive directors on 18 August 2017.

Dr. Chu was appointed as the Company's non-executive director on 18 August 2017.

Dr. Michael Edward Ricco, Mrs. Kitty Yuk-Yee Yeung and Mr. Sik Yuen Lau were appointed as the Company's independent non-executive directors on May 7, 2018. During the Track Record Period, the independent non-executive directors have not yet been appointed and did not receive any directors' remuneration in the capacity of independent non-executive directors.

No director waived or agreed to waive any emoluments during the years ended 31 December 2015, 2016 and 2017.

(b) Directors' termination benefits

None of the directors received any termination benefits during the Track Record Period.

(c) Consideration provided to third parties for making available directors' services

During the Track Record Period, the Group did not pay consideration to any third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by and entities connected with such directors

Except for items disclosed in Note 30, there are no other loans, quasi-loans and other dealing arrangements in favour of directors, bodies corporate controlled by and entities connected with such Directors as at 31 December 2015, 2016 and 2017.

(e) Directors' material interests in transactions, arrangements or contracts

Except for items disclosed in Note 30, there are no other significant transactions, arrangements, and contracts in relation to the Group's business to which the Company and/or Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of each of the years ended 31 December 2015, 2016 and 2017.

33 Subsequent events

(a) In February 2018, the Group has collected restricted term deposit from the bank upon the expiry of a banking facilities, which approximates to HK$45,016,000 as at 31 December 2017.

(b) Pursuant to a written resolutions of shareholders dated May 7, 2018, the Company conditionally adopted a share option scheme under which the board of directors may grant options to eligible participants of the Group to subscribe shares of the Company. No options have been granted up to the date of this report.

Save as disclosed above, there have been no material events subsequent to the Track Record Periods, which require adjustment or disclosure in accordance with IFRSs.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the Companies comprising the Group in respect of any period subsequent to 31 December 2017 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2017.