CTEH INC.
加達控股有限公司

Incorporated in Ontario, Canada and continued in the Cayman Islands with limited liability

Stock Code : 1620

INTERIM REPORT 2018

CONTENTS

FINANCIAL HIGHLIGHTS

Results	Six months ended June 30,		
	2018 HK$ million (Unaudited)	2017 HK$ million (Unaudited)	Increase/ (decrease)
Revenue	75.3	70.7	6.5%
Gross profit	51.0	45.6	11.8%
Profit before income tax expense	4.8	10.3	(53.4%)
Profit for the period	3.1	6.8	(54.4%)
Adjustments:			
Listing expenses	16.9	4.6	267.4%
Deductible Listing expenses recognized in deferred income tax	(4.5)	—	N/A
Adjusted profit for the period (Note)	15.5	11.4	36.0%
Basic and diluted earnings per share (HK cents)	0.3	0.8	(62.5%)

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

Financial Position	As at June 30, 2018 HK$ million (Unaudited)	As at December 31, 2017 HK$ million (Audited)	Increase/ (decrease)
Total assets	292.0	197.4	47.9%
Total bank borrowings	35.7	37.2	(4.0%)
Shareholders' equity	153.0	64.7	136.5%
Current ratio and quick ratio (times)	1.9	1.4	35.7%
Gearing ratio (%)	23.3%	57.6%	(34.3%)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Dr. Kwok Chun Dennis Chu

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Kai Yu Chow *(HKICPA)*

AUTHORISED REPRESENTATIVES

Ms. Annie Shuk Fong Tsu
Mr. Kai Yu Chow

REGISTERED OFFICE

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

HEADQUARTERS AND PLACE OF BUSINESS IN CANADA

15 Kern Road
Toronto, Ontario
Canada M3B 1S9

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31st Floor, 148 Electric Road
North Point
Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISER AS TO HONG KONG LAW:

Sidley Austin

COMPLIANCE ADVISER

Lego Corporate Finance Limited

PRINCIPAL BANKERS

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

STOCK CODE

1620

WEBSITE

www.toureast.com

CHAIRPERSON'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of CTEH INC. (the "**Company**"), I am pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended June 30, 2018 (the "**Period**") together with the unaudited comparative figures for the corresponding period ended June 30, 2017 (the "**Previous Period**").

COMPANY OVERVIEW

The Group is a long-established air ticket consolidator, travel business process management provider and travel products and services provider in Canada.

Principal businesses include (i) air ticket distribution in which the Group distributes air tickets to travel agents and travelers and issue air tickets directly on behalf of contracted airlines; (ii) travel business process management in which the Group provides mid-office and back-office support services to travel agents; and (iii) travel products and services in which the Group design, develop and sell package tours, as well as other travel products and services to travel agents and travelers.

The growth in both revenue and gross profits of the Group is attributable to the following competitive strengths:

- the synergistic business segments address a variety of evolving needs of travel providers, travel agents and travelers.
- well-established business relationships with travel providers and travel agents.
- in-depth technical know-how and information technology capabilities served as a backbone for future growth.
- an experienced management team with a long and proven track record in the travel and tourism industry in Canada.

These strengths also distinguish the Group from other industry participants and enable it to compete effectively in a long-run.

BUSINESS REVIEW

Excluding the one-off listing expenses incurred, the Company's adjusted profit after tax increased by approximately HK$4.1 million, or 36.0%, from approximately HK$11.4 million for the Previous Period to approximately HK$15.5 million for the Period. The total revenue increased by approximately HK$4.6 million, or 6.5%, from approximately HK$70.7 million for the Previous Period to approximately HK$75.3 million for the Period.

The shares of the Company (the "**Shares**") were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing**") by way of international offering and the Hong Kong public offering (collectively, the "**Share Offer**") on June 28, 2018 (the "**Listing Date**"). Listing expenses charged to profit or loss during the successful listing amounted to approximately HK$16.9 million for the Period. These expenses are substantial and will continue to weigh heavily on the Company's financial results for the financial year ending December 31, 2018.

Air Ticket Distribution

The Group operates as an air ticket consolidator to distribute air tickets on behalf of contracted airlines. The Group negotiates and enters into agreements with airlines to sell private fares to mainly travel agents. Air ticket consolidators like the Group served as a reliable distribution channel where airlines can negotiate annual contract to sell private fares, establish revenue targets and tightly control air ticket sales through a specific kind of booking class, and a valuable supplier partner for travel agents.

As one of the IATA accredited travel agents in Canada and one of the ARC accredited travel agents in the United States, the Group is qualified to obtain ticketing authority to issue air tickets of all available flights (origins and destinations) on behalf of IATA member airlines and ARC member airlines and secure private fare deals directly from them. During the Period, the Group had ticketing authority for more than 150 airlines and private fare deals with around 70 airlines, including top airlines based in Canada, the United States and China. The Group's sales performance has been consistently strong which amounted to approximately HK$2,054.1 million for the Previous Period and HK$2,156.0 million for the Period in terms of gross sales proceeds.

In order to maintain great variety of services and products to customers, the Group will continue to maintain effective relationships with third-party suppliers primarily consisting of airlines and GDS providers. The management of the Group will also continue to review and monitor the process to obtain, maintain and renew of various certificates, licenses, permits and accreditations from time to time for business operations, including, without limitation, TICO business registration certificate, IATA accreditation and/or ARC accreditation.

Travel Business Process Management

The Group is also engaged in travel business process management mainly to travel agents in North America. The Group offers a single point of contact for a range of travel business process management including air ticket transaction processing, customer contact, BSP/ARC settlement and reconciliation, software development and travel licensing, compliance and other administrative matters. The service scope and service level varies for each customer depending on the requirements and business needs of the particular customer. Travel business process management providers like the Group play a pivotal role in providing travel agents the options to outsource their non-core business processes cost effectively and allow travel agents to focus on their core competencies. During the Period, the Group had been providing travel business process management service to 10 travel agents.

Travel Products and Services

The Group also offers package tours and other travel products and services to travel agents and travelers. Package tours can be further classified as group travel tours and join-in coach tours, normally comprising pre-arranged flights or coach bus, hotel accommodations, local transportations and arrangements for sight-seeing and other activities. Other travel products and services mainly include customized tours, flight plus hotel packages, hotel accommodations booking, admission tickets to attractions, car rental, travel insurance and visa application.

CHAIRPERSON'S STATEMENT

MARKET REVIEW

For air ticket distribution segment, air ticket consolidators will pay more attention to technological developments and make more use of technologies such as e-commerce and big data for business management. Due to increasingly fierce competition within the airline industry, airlines tend to distinguish themselves from their competitors by cooperating only with reputable air ticket consolidators, such as those with IATA and/or ARC accreditations, to improve their distribution efficiency and build a better brand image.

The increase of travel business process management market in North America due to rapid development of online travel agents and travel startups, which are in need of the expertise and resources from travel business process management providers. With increasing business volumes and diversified business processes, travel business process management providers will need to employ additional technological tools such as advanced software and automation to effectively analyze data and improve the efficiency and accuracy of their services.

Customized travel products are expected to continue to be increasingly popular in North America, as they are designed to better accommodate to customers' special requirements and minimize the burden of the end-customers.

FUTURE PROSPECT

With its long-established brand name, long history of operation, well-maintained business relationship with suppliers and customers, experience in information technology system development and healthy net assets position, the Group will continue to execute its business strategy to strengthen the position as an well-established air ticket consolidator, travel business process management provider and travel products and services provider in North America and create long-term shareholder value to expand both revenue streams and customer base.

As disclosed in the Prospectus, the Group will continue to put forth its best efforts to drive business performance and growth with the net proceeds mainly by:

- expansion of air ticket distribution by (i) developing tailor-made booking platforms and mobile booking applications in simplified and traditional Chinese for ethnic agencies; (ii) setting up customer services for Mandarin and Cantonese speaking travel agents to support the operational needs of new booking platforms; (iii) opening two regional offices to conduct sales and marketing activities to attract new customers; and (iv) upgrading the website to include online air ticket booking function and develop mobile booking applications for travelers.
- upgrading the information technology infrastructure, including electronic documentation system, cloud database hosting system, information technology network, computer system and information security system; and installing the enterprise resource planning system to optimize internal resources, assess the overall efficiencies, and enhance the competitiveness.
- expanding the business development team and purchasing service level management software for the travel business process management team.

The Group believes that it possesses the business strengths and competitive advantages that enable the Group to grow continuously and enhance the profitability.

APPRECIATION

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

On behalf of the Board

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

Hong Kong, August 27, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

REVENUE

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

	For the six months ended			
	2018		2017	
	HK$'000	%	HK$'000	%
Air ticket distribution	48,920	65.0%	43,737	61.9%
Travel business process management	12,822	17.0%	14,749	20.8%
Travel products and services	13,513	18.0%	12,225	17.3%
Total	75,255	100.0%	70,711	100.0%

The Group's revenue increased by approximately HK$4.6 million, or 6.5%, from approximately HK$70.7 million for the Previous Period to approximately HK$75.3 million for the Period. Such increase was mainly attributable to higher revenue generated from air ticket distribution segment and travel products and services segment, mitigated by the lower revenue from travel business process management segment.

Air Ticket Distribution

The revenue from air ticket distribution segment increased by approximately HK$5.2 million, or 11.9%, from approximately HK$43.7 million for the Previous Period to approximately HK$48.9 million for the Period. Such increase was mainly attributable to the growth in the transaction volume and gross sales proceeds of selling air tickets.

Travel Business Process Management

The revenue from travel business process management decreased by approximately HK$1.9 million, or 12.9%, from approximately HK$14.7 million for the Previous Period to approximately HK12.8 million for the Period. Such decrease was mainly attributable to the cease of provision of travel business process management service to a customer during the year ended 2017 and mitigated by increased services volume and level in respect of the transaction processing services for the existing customers.

Travel Products and Services

The revenue from travel products and services increased by approximately HK$1.3 million, or 10.7% from approximately HK$12.2 million for the Previous Period to approximately HK$13.5 million for the Period. Such increase was mainly attributable to the increased average selling price of the package tours and increased bookings of customized group travel tours during the Period.

GROSS PROFIT AND GROSS PROFIT MARGIN

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

	For the six months ended			
	2018		2017	
	Gross profit HK$'000	Gross profit margin %	Gross profit HK$'000	Gross profit margin %
Air ticket distribution	38,748	79.2%	32,046	73.3%
Travel business process management	9,029	70.4%	10,626	72.0%
Travel products and services	3,261	24.1%	2,905	23.8%
Total	51,038	67.8%	45,577	64.5%

The gross profit increased by approximately HK$5.4 million, or 11.8%, from approximately HK$45.6 million for the Previous Period to approximately HK$51.0 million for the Period.

The gross profit margin increased by approximately 3.3 percentage point from approximately 64.5% for the Previous Period to approximately 67.8% for the Period. The increase was primarily attributable to the increasingly higher portion of the revenue from air ticket distribution segments which derived higher profit margins as compared to the travel products and services segment.

Air Ticket Distribution

The gross profit attributable to air ticket distribution segment increased by approximately HK$6.7 million, or 20.9%, from approximately HK$32.0 million for the Previous Period to approximately HK$38.7 million for the Period. Such increase was in line with the growth of the revenue from air ticket distribution segment. The gross profit margin for air ticket distribution segment increased by approximately 5.9 percentage point from approximately 73.3% for the Previous Period to approximately 79.2% for the Period. Such increase was primarily due to a greater proportional increase in the business segment revenue than in the business segment cost of sales.

Travel Business Process Management

The gross profit attributable to travel business process management segment decreased by approximately HK$1.6 million, or 15.1%, from approximately HK$10.6 million for the Previous Period to approximately HK$9.0 million for the Period. Such decrease was in line with the decrease in revenue mainly attributable to cease of provision of travel business process management service to a customer during the year ended 2017. The gross profit margin for travel business process management slightly decreased by approximately 1.6 percentage point from approximately 72.0% for the Previous Period to approximately 70.4% for the Period mainly attributable to the combined effect of (i) decrease in revenue from travel business process management; and (ii) staff costs remained at similar level as the Previous Period in order to maintain the workforce for operation.

Travel Products and Services

The gross profit attributable to travel products and service segment increased by approximately HK$0.4 million, or 13.8 percentage point, from approximately HK$2.9 million for the Previous Period to approximately HK$3.3 million for the Period. Such increase was in line with the growth of the revenue from travel products and services segment. The gross profit margin for travel products and services remained relatively stable at approximately 24.1% for the Period (Previous Period: 23.8%).

MANAGEMENT DISCUSSION AND ANALYSIS

SELLING EXPENSES

Selling expenses mainly consist of (i) staff costs incurred for the marketing and advertising personnel; (ii) advertising and promotion expenses, such as promoting the brand and products through various channels, including sponsoring events, placing advertisements on medias, participate and organizing travel shows and distributing flyers and brochures; (iii) rental and related expenses for the Group's branches; (iv) credit card fees related to receipts from customers using credit cards; and (v) depreciation of property, plant and equipment and amortization of intangible assets.

The selling expense slightly decreased by approximately HK$0.6 million, or 6.7% from approximately HK$8.9 million for the Previous Period to approximately HK$8.3 million for the Period which was mainly due to decrease in advertising and promotion expenses during the Period.

ADMINISTRATIVE EXPENSE

Administrative expenses mainly consist of (i) employee benefit expenses, representing the Directors' remuneration and costs incurred for the management and administrative personnel; (ii) service fee for transactions reconciliation and after-sales services in China for transactions with the PRC customers given the time zone difference; (iii) operating lease rental payments for the Group's office premises for administrative function ; (iv) office, telecommunication and utility expenses incurred in the Group's daily operations; (v) professional service fees; and (vi) non-recurring Listing expenses and other miscellaneous administrative expenses.

The administrative expense increased by approximately HK$12.3 million, or 48.0% from approximately HK$25.6 million for the Previous Period to approximately HK$37.9 million for the Period which was mainly due to the recognition of non-recurring Listing expenses of approximately HK$4.6 million for the Previous Period and approximately HK$16.9 million for the Period.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company for the Period amounted to approximately HK$3.1 million (Previous Period: HK$6.8 million). The decrease was mainly attributable to the non-recurring Listing expenses as analysed above.

FINANCIAL RESOURCES AND LIQUIDITY

For the six months ended June 30, 2018, the Group's primary source of funding included its own working capital, the net proceeds from the Listing in June 2018 and the credit facilities provided by the Group's principal bank in Canada.

As at June 30, 2018, the Group's cash and cash equivalents represented cash and bank balances of approximately HK$159.9 million (December 31, 2017: HK$65.4 million), which included net receives from the Share Offer for the Period of approximately HK$56.5 million.

As at June 30, 2018, the Group had total assets of approximately HK$292.0 million (December 31, 2017: HK$197.4 million), net current assets of approximately HK$129.4 million (December 31, 2017: HK$49.5 million) and net assets of approximately HK$153.0 million (December 31, 2017: HK$64.7 million). The Group's current ratio increased to approximately 1.9 times as at June 30, 2018 (December 31, 2017: 1.4 times).

Management believes that the Group's current bank balances and cash, together with the credit facilities available and the expected cash flow from operations, will be sufficient to satisfy its current operational requirements.

The Group's gearing ratio is calculated based on total debt divided by the shareholders' equity at the end of the financial period and multiplied by 100%. The gearing ratio was approximately 23.3% as at June 30, 2018 (December 31, 2017: 57.6%). The decrease was mainly contributed by the increase in total equity due to the net receives from Share Offer during the Period.

BANK BORROWINGS

As of the end of the Period, the Group had bank borrowings, were subject to floating interest rates at the Canadian prime rate, of approximately HK$35.7 million, which were reduced by approximately HK$1.5 million from approximately HK$37.2million as at 31 December 2017. The bank borrowings were denominated in Canadian dollars and were repayable on demand or within one year. No financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments.

CAPITAL STRUCTURE

The shares of the Company have been listed on the Main Board of the Stock Exchange since June 28, 2018. There is no material change in the capital structure of the Company since the Listing Date. The capital of the Company comprises only ordinary shares.

CAPITAL EXPENDITURE AND COMMITMENTS

The total capital expenditure incurred for the Period was approximately HK$1.8 million (Previous Period: HK$5.5 million), which was mainly used in purchase of property, plant and equipment and intangible assets. The Group had no material planned capital expenditures and capital commitments as of the end of the Period.

EVENT AFTER THE REPORTING PERIOD

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

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FOREIGN EXCHANGE RISKS

The Group has foreign currency exposures that mainly arise from the balance of assets and liabilities in currencies other than in Canadian dollar, the Group's functional currency. The Group's policy requires the management to control the Group's foreign exchange risk to an acceptable level by ensuring that the Group is able to obtain sufficient amount of USD at acceptable exchange rate for meeting the payment obligations arising from business operations. A net foreign exchange gain of approximately HK$0.2 million was recorded for the Period and exchange loss of approximately HK$0.6 million for the Previous Period.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2018, the Group had a total of 136 (December 31, 2017: 139) employees, of which 133 (December 31, 2017: 136) were in Canada and 3 (December 31, 2017: 3) were in the United States of America. The total staff costs incurred by the Group for the Period were approximately HK$26.6 million (Previous Period: HK$29.4 million).

The Group maintains good relationships with all of its employees. It provides the employees with sufficient training in business and professional knowledge including information about the Group's products and skills in maintaining good customer relationships. Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and are reviewed on a regular basis. Discretionary bonuses may be awarded to employees taking into consideration the Group's performance and that of the individual employee.

Pursuant to the applicable laws and regulations, the Group has participated in relevant defined contribution retirement schemes administrated by the responsible government authorities in the Canada and U.S. for its employees 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.

SHARE OPTION SCHEME

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend to the shareholders of the Company for the Period.

CONTINGENT LIABILITIES

As at June 30, 2018, the Group did not have any significant contingent liability (December 31, 2017: Nil).

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENTS

No material acquisition and disposal of subsidiaries and affiliated companies were conducted by the Group during the Period. As at June 30, 2018, the Group did not hold any significant investments.

PLEDGE OF ASSETS

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

As at June 30, 2018, the Group had government bond issued by the Canadian government of approximately HK$1.4 million (December 31, 2017: HK$1,4 million). The bond is held as a security pledge for the operating permits required under the Quebec Travel Agents Act by the OPC. The interest rate for the bond is 2.2% with a maturity date of December 1, 2018. At January 1, 2018, the Group made an irrevocable election to present all changes in the fair value of the available-for-sale financial assets to the profit or loss, as explained in Note 3.3(a) of the condensed consolidated financial information.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have plans for material investments and capital assets as at June 30, 2018.

USE OF PROCEEDS

Based on the Offer Price of HK$0.36 per Offer Share, amounted to HK$108.0 million, the net proceeds from the Share Offer are estimated to be approximately HK$49.7 million.

- approximately 43.2%, representing approximately HK$21.5 million, will be used for repayment of bank borrowings after Listing;
- approximately 27.0%, representing approximately HK$13.4 million, will be used for business expansion of air ticket distribution including (i) developing tailor-made booking platforms and mobile booking applications in simplified and traditional Chinese for ethnic agencies; (ii) setting up customer services for Mandarin and Cantonese speaking travel agents to support the operational needs of new booking platform; (iii) opening two regional offices to conduct sales and marketing activities to attract new customers; and (iv) upgrading Company's website to include online air ticket booking function and develop mobile booking applications for travelers;
- approximately 13.5%, representing approximately HK$6.7 million, will be used for (i) upgrading the information technology infrastructure, including data storage, electronic documentation, cloud backup storage, information communication technology network, computer systems and information security; and (ii) installing enterprise resource planning system;
- approximately 13.9%, representing approximately HK$6.9 million, will be used for expanding the travel business process management business, including purchasing softwares for service level management and expansion of business development team; and
- approximately 2.4%, representing approximately HK$1.2 million, will be used for advertising and promotion of the Company's brand and products.

As the Listing Date was just before June 30,2018, the net proceeds from the Share Offer had not been fully received by the Company as at June 30,2018. The net proceeds, upon receipt by the Company after the Listing, have been deposited at a bank and will be applied in the manners consistent with the use of proceeds as disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company and the Board are devoted to achieve and maintain high standard of corporate governance as the Board believes that effective and efficient corporate governance practices are fundamental in enhancing the shareholder value and safeguarding the interests of the Shareholders and other stakeholders. Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality Board, effective internal control, stringent disclosure practices and transparency and accountability to all Shareholders.

The Company has fully complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange from the Listing Date up to the date of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as the code of conduct of the Company regarding Directors' transactions of the listed securities of the Company. The Company has made specific enquiry to all Directors, and all Directors have confirmed that they had complied with the Model Code and its code of conduct from the Listing Date up to the date of this report.

AUDIT COMMITTEE

The Company established an audit committee on May 7, 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The audit committee consists of three members, two of whom are independent non-executive Directors, being Mr. Sik Yuen Lau and Dr. Michael Edward Ricco, and one non-executive Director, being Dr. Kwok Chun Dennis Chu. The audit committee is chaired by Mr. Sik Yuen Lau. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, to develop and review the policies and to perform other duties and responsibilities as assigned by the Board. It also acts as an important link between the Board and the Company's auditor in matters within the scope of the group audit. Meetings shall be held at least twice a year.

The unaudited interim results and financial report of the Group for the Period has been reviewed by the audit committee and the audit committee is of the view that the interim result for the Period is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosure have been duly made.

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

As at June 30, 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as referred to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

Notes:

(1) All interests stated are long positions

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

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

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

Save as disclosed above, as at June 30, 2018, none of the Directors and chief executive of the Company had any other interests or short positions in any Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register of members of the Company or which were required to be notified to the Company and the Stock Exchange, pursuant to standard of dealings by Directors as referred to the Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at June 30, 2018, the interest and short positions of the persons (other than the Directors or chief executive of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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

Notes:

(1) All interests stated are held in long positions

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

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

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

Save as disclosed above, as at June 30, 2018, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

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

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

COMPETING BUSINESS

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

DISCLOSURE OF INFORMATION

The interim report of the Company for the six months ended June 30, 2018 will be published on the website of both the Stock Exchange (http://www.hkexnews.hk) and the company website (www.toureast.com) and should be dispatched to the shareholders of the Company in due course.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2018

	Notes	Six months ended June 30, 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Revenue	4	**75,255**	70,711
Cost of sales	6	**(24,217)**	(25,134)
Gross profit		**51,038**	45,577
Other income	5	**—**	15
Other gains/(losses), net	5	**278**	(635)
Selling expenses	6	**(8,306)**	(8,902)
Administrative expenses	6	**(37,912)**	(25,594)
Operating profit		**5,098**	10,461
Finance income		**336**	266
Finance costs		**(627)**	(433)
Finance costs, net	7	**(291)**	(167)
Profit before income tax		**4,807**	10,294
Income tax expense	8	**(1,674)**	(3,544)
Profit for the period		**3,133**	6,750
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss:			
– Currency translation differences		**(2,190)**	72
Other comprehensive (loss)/income for the period, net of tax		**(2,190)**	72
Total comprehensive income for the period attributable to owners of the Company		**943**	6,822
Basic and diluted earnings per share (HK cents)	10	**0.3**	0.8

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

	Notes	As at June 30, 2018 HK$'000 (Unaudited)	As at December 31, 2017 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	3,926	4,703
Intangible assets	11	4,605	4,299
Deferred income tax assets		15,605	6,829
		24,136	15,831
Current assets			
Trade receivables	12	20,381	28,228
Prepayments, deposits and other receivables	13	86,244	41,231
Available-for-sale financial assets	14	—	1,401
Financial assets at fair value through profit or loss	14	1,376	—
Income tax recoverable		—	235
Restricted term deposit	15	—	45,016
Cash and cash equivalents		159,880	65,417
		267,881	181,528
Total assets		292,017	197,359
EQUITY			
Equity attributable to the owners of the Company			
Share capital	16	120	90
Share premium		87,311	—
Other reserve		(41,256)	(41,256)
Exchange reserve		6,970	9,160
Retained earnings		99,836	96,703
Total equity		152,981	64,697

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

	Notes	As at June 30, 2018 HK$'000 (Unaudited)	As at December 31, 2017 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		567	593
		567	593
Current liabilities			
Trade payables	17	373	25
Accruals and other payables	18	93,425	94,801
Contract liabilities		7,682	—
Income tax payable		1,336	—
Bank borrowings	19	35,653	37,243
		138,469	132,069
Total liabilities		139,036	132,662
Total equity and liabilities		292,017	197,359
Net current assets		129,412	49,459
Total assets less current liabilities		153,548	65,290

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2018

	Attributable to owners of the Company (Unaudited)					
	Share capital HK$'000 (Note 16)	Share premium HK$'000	Other reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at January 1, 2018	90	—	(41,256)	9,160	96,703	64,697
Total comprehensive income for the period	—	—	—	(2,190)	3,133	943
Total transactions with owners in their capacity as owners:						
–Issue of shares pursuant to the Share Offer	30	87,311	—	—	—	87,341
Total transactions with owners, recognised directly in equity	30	87,311	—	—	—	87,341
Balance at June 30, 2018	120	87,311	(41,256)	6,970	99,836	152,981
Balance at January 1, 2017	90	—	(96,176)	9,921	84,338	(1,827)
Total comprehensive income for the period	—	—	—	72	6,750	6,822
Balance at June 30, 2017	90	—	(96,176)	9,993	91,088	4,995

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2018

	Six months ended June 30,	
	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Cash flows from operating activities		
Cash generated from operations	4,072	9,193
Interest paid	(627)	(433)
Income tax paid	(4,635)	(11,381)
Net cash used in operating activities	(1,190)	(2,621)
Cash flows from investing activities		
Purchase of property, plant and equipment	(251)	(2,992)
Proceeds from sale of property, plant and equipment	86	—
Purchase of intangible assets	(1,555)	(2,479)
Decrease in restricted term deposit	44,356	—
Interest received	336	79
Net cash generated from/(used in) investing activities	42,972	(5,392)
Cash flows from financing activities		
Proceeds from bank borrowings	—	36,031
Repayment of bank borrowings	—	(62)
Repayment of loans from shareholders	—	(29,707)
Proceeds from issue of shares pursuant to the Share Offer	74,889	—
Payment of listing expenses	(18,341)	(1,432)
Net cash generated from financing activities	56,548	4,830
Net increase/(decrease) in cash and cash equivalents	98,330	(3,183)
Cash and cash equivalents at beginning of the period	65,417	71,160
Effect of currency translation differences	(3,867)	2,136
Cash and cash equivalents at end of the period	159,880	70,113

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited on June 28, 2018. The interim condensed consolidated financial information is presented in Hong Kong dollar ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended June 30, 2018 has been prepared in accordance with the International Accounting Standard ("**IAS**") 34, "Interim financial reporting".

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial statements. Accordingly, this report should be read in conjunction with the prospectus of the Company dated June 15, 2018 (the "**Prospectus**"), which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") and any public announcements made by the Group during the interim reporting period.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the Prospectus, except for the estimation of income tax and the adoption of new and amended standards as set out below.

3.1 New and amended standards adopted by the Group

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

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 3.3 below.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(CONTINUED)*

3.1 New and amended standards adopted by the Group *(continued)*

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

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

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

The following new standards, amendments to standards and interpretations are mandatory for accounting periods beginning on or after January 1, 2019.

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

(a) IFRS 16, Leases

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

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$6,069,000 (Note 21). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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

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

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(CONTINUED)*

3.3 Changes in accounting policies

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

(a) IFRS 9 Financial Instruments – Impact of adoption

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

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

(i) Classification and measurement

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

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

(a) Reclassification from AFS to FVTPL

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(CONTINUED)*

3.3 Changes in accounting policies *(continued)*

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

(ii) Impairment of financial assets

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

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

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

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

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

(b) IFRS 9 Financial Instruments – Accounting policies applied from January 1, 2018

(i) Classification

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

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(CONTINUED)*

3.3 Changes in accounting policies *(continued)*

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

(ii) Measurement

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

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

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other losses, net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the condensed consolidated statement of comprehensive income.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in the condensed consolidated statement of comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other losses, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other losses, net, and impairment expenses are presented as separate line item in the condensed consolidated statement of comprehensive income.
- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other losses, net, in the period in which it arises.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(CONTINUED)*

3.3 Changes in accounting policies *(continued)*

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

(ii) Measurement *(continued)*

Equity instruments

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

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

(iii) Impairment

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

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

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(CONTINUED)*

3.3 Changes in accounting policies *(continued)*

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

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

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

(d) IFRS 15 Revenue from Contracts with Customers – Accounting policies applied from January 1, 2018

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

Revenue of the Group mainly represents margin income and incentive commissions from airlines, travel business process management 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. Specifically, revenue is recognised as follows:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(CONTINUED)*

3.3 Changes in accounting policies *(continued)*

(d) *IFRS 15 Revenue from Contracts with Customers – Accounting policies applied from January 1, 2018 (continued)*

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

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

3.4 Use of judgements and estimates

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

4 REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision makers that are used for making strategic decisions. The chief operating decision makers are identified as the executive directors of the Company. The chief operating decision makers regularly monitor and receive reports relating to the performance of the three lines of business the Group operates during the 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4 REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

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

	Six months ended June 30, 2018 (Unaudited)			
	Air ticket distribution HK$'000	Travel business process management HK$'000	Travel products and services HK$'000	Total HK$'000
Revenue from external customers	48,920	12,822	13,513	75,255
Timing of revenue recognition				
At a point in time	48,920	12,822	—	61,742
Over time	—	—	13,513	13,513
	48,920	12,822	13,513	75,255
Segment results	25,351	7,682	1,347	34,380
Other gains, net				278
Administrative expenses				(29,560)
Finance costs, net				(291)
Profit before income tax				4,807
Income tax expense				(1,674)
Profit for the period				3,133
Other segment items:				
Depreciation and amortisation	722	343	332	1,397
Capital expenditure	687	325	314	1,326

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4 REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

	Six months ended June 30, 2017 (Unaudited)			
	Air ticket distribution HK$'000	Travel business process management HK$'000	Travel products and services HK$'000	Total HK$'000
Revenue from external customers	43,737	14,749	12,225	70,711
Timing of revenue recognition				
At a point in time	43,737	14,749	—	58,486
Over time	—	—	12,225	12,225
	43,737	14,749	12,225	70,711
Segment results	19,454	9,099	932	29,485
Other income				15
Other losses, net				(635)
Administrative expenses				(18,404)
Finance costs, net				(167)
Profit before income tax				10,294
Income tax expense				(3,544)
Profit for the period				6,750
Other segment items:				
Depreciation and amortisation	452	175	164	791
Capital expenditure	2,403	930	870	4,203

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

	Six months ended June 30,	
	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Company A	**12,075**	11,488
Company B	**6,549**	11,947
	18,624	23,435

There is no material inter-segment revenue.

4 REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

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

	Six months ended June 30,	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Canada	**63,300**	63,751
United States	**11,955**	6,960
	75,255	70,711

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

	Six months ended June 30,	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Other income		
Insurance pay out	**—**	15
Other gains/(losses), net		
Foreign exchange gain/(loss)	**192**	(635)
Gain on disposal of property, plant and equipment	**86**	—
	278	(635)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 EXPENSES BY NATURE

	Six months ended June 30,	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Cost of packaged tours and tickets	**11,722**	9,320
Employee benefit expenses (including directors' emoluments)	**26,624**	29,365
Office, telecommunication and utility expenses	**1,787**	1,715
Operating lease rental payments	**1,254**	1,200
Advertising and promotion	**977**	2,543
Credit card fees	**633**	416
Auditor's remuneration		
– Audit service	**221**	280
– Non-audit service	**116**	261
Depreciation of property, plant and equipment (Note 11)	**844**	518
Amortisation of intangible assets (Note 11)	**1,050**	510
Legal and professional fees	**32**	370
Service fees	**4,601**	3,810
Listing expenses	**16,881**	4,614
Others	**3,693**	4,708
Total cost of sales, selling and administrative expenses	**70,435**	59,630

7 FINANCE COSTS, NET

	Six months ended June 30,	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Finance income		
– Interest income	**336**	266
Finance costs		
– Interest expense on loans from shareholders	**—**	(433)
– Interest expense on bank borrowings	**(627)**	—
	(627)	(433)
Finance costs, net	**(291)**	(167)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

8 INCOME TAX EXPENSE

Canadian corporate income tax has been provided at the rate of 26.5% for the six months ended June 30, 2018 (2017: 26.5%) on the Group's respective taxable income. United States federal income tax has been provided at the rate of 21% for the six months ended June 30, 2018 (2017: 34%) on the Group's respective taxable income and the United States state and city tax has been calculated on the estimated assessable profit at 8.85% for the six months ended June 30, 2018 (2017: 9.78%).

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

	Six months ended June 30,	
	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Current income tax		
– Canadian corporate income tax	**3,631**	2,341
– United States federal and state income tax	**2,516**	1,043
– Under provision in prior years	**—**	28
Deferred income tax	**(4,473)**	132
Income tax expense	**1,674**	3,544

9 DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended June 30, 2018 (Six months ended June 30, 2017: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

10 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods. In determining the weighted average number of ordinary shares, 900,000,000 shares of the Company, which resulted from the issue and allotment of 900,000,000 shares by the Company in connection with the reorganisation had been treated as if such shares were issued on January 1, 2017.

	Six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
Profit attributable to owners of the Company (HK$'000)	**3,133**	6,750
Weighted average number of ordinary shares in issue (Number of shares in thousand)	**904,972**	900,000
Basic and diluted earnings per shares (HK cents)	**0.3**	0.8

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 period and the previous period, the Group has no dilutive potential ordinary shares.

11 CAPITAL EXPENDITURE

	Property, plant and equipment HK$000	Intangible assets HK$000
Six months ended June 30, 2018 (Unaudited)		
Opening net book amounts as at January 1, 2018	**4,703**	**4,299**
Additions	**251**	**1,555**
Depreciation/amortisation (Note 6)	**(844)**	**(1,050)**
Exchange differences	**(184)**	**(199)**
Closing net book amounts as at June 30, 2018	**3,926**	**4,605**
Six months ended June 30, 2017 (Unaudited)		
Opening net book amounts as at January 1, 2017	2,195	2,161
Additions	2,992	2,479
Depreciation/amortisation (Note 6)	(518)	(510)
Exchange differences	176	160
Closing net book amounts as at June 30, 2017	4,845	4,290

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

12 TRADE RECEIVABLES

	As at June 30, 2018 HK$'000 (Unaudited)	As at December 31, 2017 HK$'000 (Audited)
Incentive commission receivables	**19,318**	27,329
Other trade receivables	**1,063**	899
	20,381	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 June 30, 2018 HK$'000 (Unaudited)	As at December 31, 2017 HK$'000 (Audited)
0 to 60 days	**20,257**	27,746
61 to 120 days	**—**	228
121 to 180 days	**86**	90
181 to 365 days	**38**	164
	20,381	28,228

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at June 30, 2018 HK$'000 (Unaudited)	As at December 31, 2017 HK$'000 (Audited)
Rental and other deposits	1,278	1,330
Prepaid expenses	2,096	572
Prepaid tour and air ticket costs	3,581	4,021
Deferred listing expenses	—	6,619
Receivables from travel companies for ticket costs	45,747	28,161
Receivables of listing proceeds (Note)	33,111	—
Other receivables	431	528
	86,244	41,231

Note:

The receivables of listing proceeds were fully received in July 2018.

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

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

The carrying value of the government bond issued by the Canadian government denominated in CAD amounts to $225,000 as at June 30, 2018 and December 31, 2017 (equivalent to approximately HK$1,376,000 and HK$1,401,000 as at June 30, 2018 and December 31, 2017). The interest rate for the bond is 2.2% with a maturity date of December 1, 2018.

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

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

15 RESTRICTED TERM DEPOSIT

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16 SHARE CAPITAL

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

Note:

(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 and offset against "other reserve".

(iii) In connection with the Company's listing on Main Board of the Stock Exchange of Hong Kong Limited on 28 June 2018, 300,000,000 new ordinary shares of HK$0.0001 each were issued at a price of HK$0.36 per share for a total cash consideration (before share issuance expenses) of approximately HK$108,000,000.

17 TRADE PAYABLES

As at June 30, 2018 and December 31, 2017, the ageing analysis of trade payables based on invoice date are as follows:

	As at June 30, 2018 HK$'000 (Unaudited)	As at December 31, 2017 HK$'000 (Audited)
0 to 30 days	216	24
31 to 60 days	121	1
61 to 90 days	36	—
	373	25

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18 ACCRUALS AND OTHER PAYABLES

	As at June 30, 2018 HK$'000 (Unaudited)	As at December 31, 2017 HK$'000 (Audited)
Accrued staff costs and management fees	**1,387**	1,760
Accrued expenses	**5,929**	5,350
Payables to airlines (Note)	**53,262**	47,286
Receipt in advance from a customer in relation to travel business process management	**20,903**	25,758
Deferred revenue (Note 3.3c)	**—**	7,132
Accrued listing expenses	**5,226**	—
Sales tax payable	**669**	791
Payables to travel companies	**2,366**	1,198
Other payables	**3,683**	5,526
	93,425	94,801

Note:

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

19 BANK BORROWINGS AND BANKING FACILITIES

(a) Bank borrowings

	As at June 30, 2018 HK$'000 (Unaudited)	As at December 31, 2017 HK$'000 (Audited)
Secured interest-bearing bank loans		
CAD denominated		
– Within 1 year	**35,653**	37,243

The weighted average interest rate is 3.4% as at June 30, 2018 (December 31, 2017: 3.1%).

19 BANK BORROWINGS AND BANKING FACILITIES *(CONTINUED)*

(b) Banking facilities

The Group has banking facilities available in the form of a demand non-revolving loan of HK$65,555,000 as at June 30, 2018. (December 31, 2017: HK$68,478,000)

As at June 30, 2018 and December 31, 2017, the banking facilities were secured by trade and other receivables and cash and cash equivalents of the Group and a security subordination agreement in favour of one of the banks.

The banking facilities are also secured by a guarantee from a Canadian Crown corporation, an enterprise wholly owned by the Government of Canada, in the amount of HK$65,632,000 as at June 30, 2018 (December 31, 2018: HK$56,028,000). As at December 31, 2017, a restricted term deposit was held with the bank in the amount of HK$45,016,000 which is held as security for the letters of guarantee issued to IATA (Note 15). The term deposit matured on February 2, 2018.

The Group has an unutilised demand non-revolving loan facility of HK$29,902,000 as at June 30, 2018 (December 31, 2017: HK$31,235,000).

The Group was in compliance with all banking covenants as at June 30, 2018 and December 31, 2017.

20 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.

21 COMMITMENTS

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

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

	As at June 30, 2018 HK$'000 (Unaudited)	As at December 31, 2017 HK$'000 (Audited)
No later than 1 year	**2,557**	2,549
Later than 1 year and no later than 5 years	**3,512**	1,319
	6,069	3,868

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

22 RELATED PARTY BALANCES AND TRANSACTIONS

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

Management is of the view that the following were related parties that had transactions or balances with the Group as at and during each of the year/period ended June 30, 2018 and December 31, 2017.

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

(a) Transactions with key management personnel

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

	Six months ended June 30,	
	2018 HK$'000 (Unaudited)	2017 HK$'000 (Audited)
Rental expenses of office premise (Note (i))	**613**	500
Interest expenses on loans from shareholders (Note (ii))	**–**	433

Notes:

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

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

(b) Financial guarantee

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

(c) Key management compensation

Key management compensation, including fees, salaries, allowances and benefits, amounted to HK$4,323,000 for the six months ended June 30, 2018 (June 30, 2017: HK$4,272,000).