CTEH INC.

加達控股有限公司

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

Stock Code : 1620

ANNUAL REPORT 2020

CONTENTS

FINANCIAL HIGHLIGHTS

	Year ended December 31,		
	2020 HK$ million	2019 HK$ million	Increase/ (decrease)
Revenue	**51.6**	112.1	(54.0%)
Gross profit	**23.6**	80.3	(70.6%)
(Loss)/Profit for the year	**(48.1)**	10.7	(549.5%)
Basic and diluted (losses)/earnings per share (HK cents)	**(4.0)**	0.9	(544.4%)
Proposed final dividend per share (HK cents)	**—**	0.54	N/A

	As at December 31, 2020 HK$ million	As at December 31, 2019 HK$ million	Increase/ (decrease)
Total assets	**139.5**	252.6	(44.8%)
Shareholders' equity	**113.9**	167.1	(31.8%)
Current ratio and quick ratio (times)	**4.8**	2.5	92.0%
Gearing Ratio (%)	**2.3**	—	N/A

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Dr. Kwok Chun Dennis Chu

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Kai Yu Chow *(HKICPA)*

AUTHORISED REPRESENTATIVES

Ms. Annie Shuk Fong Tsu
Mr. Kai Yu Chow

REGISTERED OFFICE

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

HEADQUARTERS AND PLACE OF BUSINESS IN CANADA

15 Kern Road
Toronto, Ontario
Canada M3B 1S9

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31st Floor, 148 Electric Road
North Point
Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

BDO Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISER AS TO HONG KONG LAW

Sidley Austin

FINANCIAL ADVISER

Lego Corporate Finance Limited

PRINCIPAL BANKERS

HSBC Bank Canada

STOCK CODE

1620

WEBSITE

www.toureast.com

CHAIRPERSON'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of CTEH INC. (the "**Company**"), I am pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2020 (the "**Year**").

BUSINESS REVIEW

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

2020 was challenging marked by the ongoing pandemic of the novel coronavirus disease 2019 ("**COVID-19**") and continuous escalation of China-US trade frictions. These uncertainties negatively affected the Group's performance which led to a corresponding significant decrease in revenue and gross profit. The total revenue of the Group decreased by approximately HK$60.5 million or approximately 54.0%, from approximately HK$112.1 million for the year ended December 31, 2019 to approximately HK$51.6 million for the year ended December 31, 2020, which was mainly due to lower revenue generated from air ticket distribution and travel products and services segments. The gross profit decreased by approximately HK$56.7 million or approximately 70.6%, from approximately HK$80.3 million for the year ended December 31, 2019 to approximately HK$23.6 million for the year ended December 31, 2020. The overall gross profit margin decreased by approximately 25.9%, from approximately 71.6% for the year ended December 31, 2019 to approximately 45.7% for the year ended December 31, 2020, which was due to the decrease in the gross profit margin in air ticket distribution segment and travel business process management segment. In 2020, the Group acquired technological tools to adopt the work from home policy for all employees, requiring them to work remotely from their homes to maintain the operation of the Group during the COVID-19 pandemic. The Group also continued to expand the travel business process management business and one new customer was engaged during the year.

Air Ticket Distribution

Air ticket distribution business segment was impacted by the COVID-19 pandemic in 2020. Segment revenue dropped by approximately 70.1%, from approximately HK$71.6 million for the year ended December 31, 2019 to approximately HK$21.4 million for the year ended December 31, 2020 and accounted for approximately 41.4% of the total revenue of the Group. Such decrease was mainly attributable to the decline in transaction volume of air tickets sales and gross sales proceeds generated from air tickets sales due to the travel restrictions imposed by countries of its own and across the world during the COVID-19 pandemic, which further resulted in declining international travel. As one of the International Airport Transportation Association (IATA) accredited travel agents in Canada and one of the Airlines Reporting Corporation (ARC) accredited travel agents in the United States, the Group is qualified to obtain ticketing authority to issue air tickets of all available flights (origins and destinations) on behalf of IATA member airlines and ARC member airlines and secure private fare deals directly from them. As of December 31, 2020, the Group had ticketing authority for more than 150 airlines and private fare deals with around 70 airlines, including top airlines based in Canada, the United States and China.

Travel Business Process Management

The Group continued to provide a range of travel business process management including air ticket transaction processing, customer contact, BSP/ARC settlement and reconciliation, software development and travel licensing, compliance, and other administrative matters to its customers. Segment revenue generated from travel business process management increased by approximately 8.5%, from approximately HK$25.9 million for the year ended December 31, 2019 to approximately HK$28.1 million for the year ended December 31, 2020 and accounted for approximately 54.5% of the total revenue of the Group. The management has continued to expand the Group's customer base by initiating sales efforts targeting travel agents that share similar profile and market positioning as its existing customers. During the year ended December 31, 2020, the Group had been providing travel business process management services to 11 customers which include some of well-known global brands.

Travel Products and Services

The Group continued to offer package tours and other travel products and services to more than 200 cities in over 40 countries in Asia, Europe, Middle East, North America and South American to its customers. Segment revenue generated from travel products and services decreased by approximately 85.6%, from approximately HK$14.6 million in the year ended December 31, 2019 to approximately HK$2.1 million in the year ended December 31, 2020 and accounted for approximately 4.1% of the total revenue of the Group. Such decrease was mainly due to the decreased sales volume of package tours.

DIVIDENDS

In order to retain more cash to finance the working capital requirements and future development of the Group, the Board does not recommend the payment of final dividend for the year ended December 31, 2020 (2019: HK$6,480,000). The Board will consider future dividend distribution in due course according to the Company's dividend policy.

FUTURE PROSPECT

It is expected that the COVID-19 pandemic continues to impact on the airline, travel and tourism industry worldwide afterwards until widespread vaccinations. A series of measures have been adopted by the Group to control costs and to enhance cash flow and operational efficiency, including (i) implementing salary reduction of the Directors and senior management; (ii) applied for the Canada Emergency Wage Subsidy program; (iii) obtaining rent concessions on office premise leased from the landlords; and (iv) streamlining workflow and reducing marketing expenses. The situation relating to the spread and containment of the COVID-19 pandemic remains uncertain and fluid, and the Group will closely monitor the trend of the global environment and maintain pragmatic approach for its businesses.

APPRECIATION

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

On behalf of the Board

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

Hong Kong, March 31, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

REVENUE

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

	Year ended December 31,			
	2020		2019	
	HK$'000	%	HK$'000	%
Air ticket distribution	21,380	41.4	71,604	63.9
Travel business process management	28,118	54.5	25,947	23.1
Travel products and services	2,107	4.1	14,590	13.0
Total	51,605	100.0	112,141	100.0

The Group's revenue decreased by approximately HK$60.5 million or approximately 54.0%, from approximately HK$112.1 million for the year ended December 31, 2019 to approximately HK$51.6 million for the year ended December 31, 2020. Such decrease was mainly attributable to lower revenue generated from air ticket distribution and travel products and services segments.

Air Ticket Distribution

The revenue from air ticket distribution segment decreased by approximately HK$50.2 million, or approximately 70.1%, from approximately HK$71.6 million for the year ended December 31, 2019 to approximately HK$21.4 million for the year ended December 31, 2020. Such decrease was mainly attributable to the decrease in the transaction volume of air tickets sales and gross sales proceeds generated from air tickets sales as a result of declining international travel due to the COVID-19 pandemic and travel restrictions such as entry restrictions, visa suspensions and quarantine measures imposed by countries of its own and across the world.

Travel Business Process Management

The revenue from travel business process management segment increased by approximately HK$2.2 million or approximately 8.5%, from approximately HK$25.9 million for the year ended December 31, 2019 to approximately HK$28.1 million for the year ended December 31, 2020. Such increase was mainly attributable to the increase in transaction volume and number of travel business process management customers.

Travel Products and Services

The revenue from travel products and services segment decreased by approximately HK$12.5 million or approximately 85.6%, from approximately HK$14.6 million for the year ended December 31, 2019 to approximately HK$2.1 million for the year ended December 31, 2020. Such decrease was mainly attributable to the decreased sales volume of package tours.

GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets forth the components of the gross profit and gross profit margin by business segment:

	For the year ended December 31,			
	2020		2019	
	Gross profit HK$'000	Gross profit margin %	Gross profit HK$'000	Gross profit margin %
Air ticket distribution	**10,925**	**51.1**	57,627	80.5
Travel business process management	**11,176**	**39.7**	17,457	67.3
Travel products and services	**1,480**	**70.2**	5,265	36.1
Total	**23,581**	**45.7**	80,349	71.6

The gross profit decreased by approximately HK$56.7 million or approximately 70.6%, from approximately HK$80.3 million for the year ended December 31, 2019 to approximately HK$23.6 million for the year ended December 31, 2020.

The overall gross profit margin decreased by approximately 25.9%, from approximately 71.6% for the year ended December 31, 2019 to approximately 45.7% for the year ended December 31, 2020, which was due to the decrease in the gross profit margin in air ticket distribution segment and travel business process management segment.

Air Ticket Distribution

The gross profit attributable to air ticket distribution segment decreased by approximately HK$46.7 million, or approximately 81.1%, from approximately HK$57.6 million for the year ended December 31, 2019 to approximately HK$10.9 million for the year ended December 31, 2020, which was in line with the decrease in the transaction volume of air tickets sales and gross sales proceeds generated from air tickets sales as a result of declining international travel due to the COVID-19 pandemic. The gross profit margin for air ticket distribution segment decreased by approximately 29.4% from approximately 80.5% for the year ended December 31, 2019 to approximately 51.1% for the year ended December 31, 2020, which was primarily attributable to a greater proportional decrease in the business segment revenue than in the business segment cost of sales.

Travel Business Process Management

The gross profit attributable to travel business process management segment decreased by approximately HK$6.3 million, or approximately 36.0%, from approximately HK$17.5 million for the year ended December 31, 2019 to approximately HK$11.2 million for the year ended December 31, 2020. The gross profit margin for travel business process management segment decreased by approximately 27.6% from approximately 67.3% for the year ended December 31, 2019 to approximately 39.7% for the year ended December 31, 2020, which was mainly due to the combined effect of (i) decrease in revenue generated from transaction processing which has higher gross profit margin; (ii) increase in staff costs for the year end ended December 31, 2020 due to the Group had expanded one of the regional office in Canada in the second half of 2019 of travel business process management; and (iii) lower gross profit margin for new customers in 2021 that were in startup stage.

MANAGEMENT DISCUSSION AND ANALYSIS

Travel Products and Services

The gross profit attributable to travel products and services segment decreased by approximately HK$3.8 million or approximately 71.7%, from approximately HK$5.3 million for the year ended December 31, 2019 to approximately HK$1.5 million for the year ended December 31, 2020. The gross profit margin for travel products and services segment increased by approximately 34.1% from approximately 36.1% for the year ended December 31, 2019 to approximately 70.2% for the year ended December 31, 2020, which was mainly due to the combined effect of (i) decrease in sales volume of package tours which has lower gross profit margin; and (ii) increase in handling fee for cancellation of travel products and services due to the COVID-19 pandemic.

Selling Expenses

The selling expenses decreased by approximately HK$6.3 million or approximately 35.8%, from approximately HK$17.6 million for the year ended December 31, 2019 to approximately HK$11.3 million for the year ended December 31, 2020, which was mainly due to the decrease in advertising and promotion expenses and temporary closure of retail branch by the order of government of closure of the non-essential businesses in Ontario and Quebec during the year.

Administrative Expenses

The administrative expenses decreased by approximately HK$7.5 million or approximately 15.9%, from approximately HK$47.2 million for the year ended December 31, 2019 to approximately HK$39.7 million for the year ended December 31, 2020, which was mainly due to the implemented salary reduction of the Directors and senior management in response to the COVID-19 pandemic.

Loss for the year

The result of the Group decreased by approximately HK$58.8 million or approximately 549.5%, from the profit of approximately HK$10.7 million for the year ended December 31, 2019 to the loss of HK$48.1 million for the year ended December 31, 2020. Such decrease was mainly attributable to the following:

- decrease in gross profit by approximately HK$56.7 million or approximately 70.6%, from approximately HK$80.3 million for the year ended December 31, 2019 to approximately HK$23.6 million for the year ended December 31, 2020 as discussed in the sub-section headed "Gross Profit and Gross Profit Margin" above; and

- increase in ECLs allowance made in accordance with International Financial Reporting Standard 9 to certain financial assets due to uncertainty of economic recovery raising from COVID-19 pandemic by approximately HK$50.1 million; offset by the following:

- increase in the gain on disposal from the Company's investment in the shares of Xinyi Energy Holdings Limited by approximately HK$3.0 million;

- increase in other income by approximately HK$21.0 million, which was primarily attributable to the wage subsidies received from local governments in Canada of approximately HK$20.3 million in response to the COVID-19 pandemic; and

- decrease in selling expenses by approximately HK$6.3 million and administrative expenses by approximately HK$7.5 million for the year ended December 31, 2020 as discussed in the sub-section headed "Selling Expenses" and "Administrative Expenses "above respectively.

FINANCIAL RESOURCES AND LIQUIDITY

During the year ended December 31, 2020, the Group's primary source of funding included its own working capital, the net proceeds from the listing and the credit facilities provided by the Group's principal bank in Canada.

Net cash used in operating activities was approximately HK$47.7 million in the year ended December 31, 2020, as compared with net cash used in operating activities of approximately HK$35.5 million in the year ended December 31, 2019. Net cash generated from investing activities was approximately HK$13.5 million in the year ended December 31, 2020, as compared with net cash used in investing activities of approximately HK$21.4 million in the year ended December 31, 2019, respectively. Net cash used in financing activities in the year ended December 31, 2020 was approximately HK$6.3 million, as compared with net cash used in financing activities of approximately HK$7.6 million in the year ended December 31, 2019.

As at December 31, 2020, the Group's cash and cash equivalents amounted to approximately HK$30.1 million, representing a decrease of approximately 58.0% from approximately HK$71.6 million as at December 31, 2019.

The Group's gearing ratio is calculated based on total debt divided by the shareholders' equity at the end of the financial year and multiplied by 100%. As of December 31, 2020, the Group's gearing ratio was approximately 2.3%. Taking into consideration of the Group's current bank balances and cash, together with the credit facilities available and the expected cash flow from operations, it is anticipated that the Company should have adequate financial resources to meet its ongoing operating and development requirements.

Net current assets

As at December 31, 2020, the Group had net current assets of HK$72.7 million as compared with net current assets of HK$122.4 million as at December 31, 2019.

BORROWINGS

As of December 31, 2020, the Group had interest-free borrowings from the Government of Canada under the Regional Economic Growth Through Innovation program of approximately HK$2.7 million (2019: nil), which were denominated in Canadian dollars. The directors expect that all such borrowings will either be repaid by internally generated funds and will continue to provide funding to the Group's operations.

EVENT AFTER THE REPORTING PERIOD

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

FOREIGN EXCHANGE RISKS

The Group has foreign currency exposures that mainly arise from the balance of assets and liabilities in currencies other than in Hong Kong dollar. 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$0.5 million was recorded for the year ended December 31, 2020 and exchange loss of approximately HK$0.4 million for the year ended December 31, 2019.

During the year ended December 31, 2020, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2020, the Group had a total of 127 employees as compared with 167 employees as at December 31, 2019, of which 126 were in Canada and 1 were in the United States of America. The total staff costs incurred by the Group for the year ended December 31, 2020 were HK$53.7 million as compared with HK$56.0 million for the year ended December 31, 2019. The Group will regularly review its remuneration policy and the benefits to its employees with reference to market practice and the performance of individual employees. In addition, the Company has adopted a share option scheme on May 7, 2018 to attract and retain individuals with experience and ability and to reward them for their contributions. For details, please refer to the Share Option Scheme of the Company which is set out on pages 31 to 33 of this report.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENTS

On September 8, 2020, the Company disposed on-market of a total of 7,500,000 shares of Xinyi Energy Holdings Limited in a series of transactions at the price between HK$2.49 and HK$2.55 per shares for an aggregate gross sale proceeds of approximately HK$18.86 million (excluding transaction costs). For details, please refer to the announcement of the Company dated September 9, 2020.

Save for the above, no other significant investments, material acquisition and disposal of subsidiaries, associates or joint ventures were conducted by the Group for the year ended December 31, 2020.

PLEDGE OF ASSETS

As of December 31, 2020, the Group had government bond issued by the Canadian government of approximately HK$1.5 million (December 31, 2019: 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 1.8% per annum with a maturity date of March 21, 2023.

CONTINGENT LIABILITIES

As at December 31, 2020, the Group did not have any material contingent liabilities or guarantees.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated June 15, 2018 (the “**Prospectus**”), the Group did not have plans for material investments and capital assets as of December 31, 2020.

USE OF PROCEEDS FROM THE LISTING

The Shares of the Company were listed on the Stock Exchange on June 28, 2018, with net proceeds received by the Company from the Share Offer in the amount of HK$49.7 million after deducting underwriting commission and all related listing expenses. The net proceeds received from the Share Offer and the unitised portion as of December 31, 2020 will be used in the manner consistent with that set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

An analysis of the utilization of the net proceeds from the listing date up to December 31, 2020 is set out below:

Use of net proceeds	Net proceeds from the Share Offer HK$ million	Actual utilization for the year ended December 31, 2020 HK$ million	Actual utilization up to December 31, 2020 HK$ million	Unutilised amounts as at December 31, 2020 HK$ million	Expected year of full utilization of remaining balance
Repayment of bank borrowings	21.5	—	21.5	—	—
Expansion of air ticket distribution business	13.4	0.5	1.0	12.4	2022
Upgrade the information technology infrastructure	6.7	0.5	4.8	1.9	2021
Expansion the travel business process management business	6.9	3.9	6.9	—	—
Advertising and promotion	1.2	0.2	0.9	0.3	2021
	49.7	5.1	35.1	14.6	

As at December 31,2020, the net proceeds received from the listing have been, and will be used in accordance with the intentions as disclosed in the Prospectus.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Mrs. Rita Pik Fong Tsang, aged 67, is one of the founders of our Group, and was appointed as our executive Director on August 18, 2017. Mrs. Tsang is responsible for overall strategic planning and business development of our Group. Mrs. Tsang successively served as vice president, president and chief executive officer, and chairperson of Tour East Canada and Tour East New York, respectively, since their establishments, and has been primarily responsible for their overall management. Mrs. Tsang has over 40 years of experience in the travel and tourism industry through managing the operations of our Group since its inception in 1976. Mrs. Tsang obtained her Bachelor of Arts degree in general studies from University of Toronto in Canada in June 1978. Mrs. Tsang is the sister of Ms. Tsu and Dr. Chu.

Ms. Annie Shuk Fong Tsu (also known as Shuk Fong Anne Tsu), aged 59, was appointed as our executive Director on August 18, 2017 and is responsible for overseeing the operations, strategic management, finance functions and travel technology services of our Group. Ms. Tsu joined our Group in January 1983 as a travel consultant of Tour East Canada and was responsible for sales and marketing. She successively served various positions in Tour East Canada, including vice president overseeing marketing from September 1992 to December 2000, executive vice president overseeing marketing and information technology from September 2001 to December 2009, president in charge of sales and overall operations from December 2010 to April 2017, and president and chief executive office overseeing the operations and management since May 2017. Since January 1992, Ms. Tsu also successively served as vice president and executive vice president in Tour East New York, and has been serving as its president and chief executive officer overseeing its operations and management since December 2015. Ms. Tsu was awarded Ernst & Young Entrepreneur of the Year Award in tourism and hospitality in Ontario in 2010. Ms. Tsu attended University of Toronto in Canada from September 1980 to 1982. Ms. Tsu is the sister of Mrs. Tsang and Dr. Chu.

NON-EXECUTIVE DIRECTOR

Dr. Kwok Chun Dennis Chu, aged 61, joined our Group as a director of Tour East Canada in January 2013 and was appointed as our non-executive Director on August 18, 2017. Dr. Chu is primarily responsible for providing strategic advice and guidance on the business development of our Group. He is a licensed obstetrician and gynecologist in Toronto and has been serving as a clinician in North York General Hospital since July 1995. Dr. Chu obtained his doctor of medicine degree in medicine from University of Toronto in Canada in June 1985. Dr. Chu is the brother of Mrs. Tsang and Ms. Tsu.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Michael Edward Ricco, aged 65, was appointed as an independent non-executive Director of our Company on May 7, 2018. Dr. Ricco has over 30 years experience in the aviation and international tourism industries. From June 1974 to August 1994, Dr. Ricco worked at United Airlines where he last served as senior staff planner and was primarily responsible for its operations, sales and marketing and strategic planning. From August 1994 to September 2006, Dr. Ricco served as a vice president and general manager of the international division of The Mark Travel Corporation, a company principally engaged in international tourism, and was primarily responsible for international marketing and sales. Since July 2006, Dr. Ricco has been serving as the sole principal at Ricco Consulting LLC, a company principally engaged in the provision of consulting services to travel and other industries, where he was primarily responsible for strategic planning and business development projects. Additionally, since 2006, Dr. Ricco has been engaged in teaching and administration with higher education.

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

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mrs. Kitty Yuk-Yee Yeung (also known as Kitty Yuk-Yee Ng), aged 66, was appointed as an independent non-executive Director of our Company on May 7, 2018. Mrs. Yeung has been working as a freelance marketing consultant since January 2009, mainly providing marketing advice and consultancy to new entrepreneurs in Toronto. Mrs. Yeung has over 30 years of experience in print media industry, with specific expertise in journalism, marketing and operations management. She served as the general manager of Today Daily News from July 2006 to September 2007 and of World Journal from September 2003 to May 2006, where she was responsible for the management of all departments of the newspaper respectively excluding editorial department. From January 2000 to August 2003, she served as the vice president of corporate development at Balmoral Marketing where she was primarily responsible for strategic planning and building customer relations. From October 1979 to April 1998, Mrs. Yeung successively served as a reporter, deputy editor-in-chief, assistant general manager, deputy general manager and general manager at Sing Tao Newspaper (Canada 1988) Limited where she was primarily responsible for the management of all departments of the newspaper excluding editorial department. Mrs. Yeung obtained her bachelor of art degree in sociology from McMaster University in Canada in August 1977.

Mr. Sik Yuen Lau, aged 54, was appointed as an independent non-executive Director of our Company on May 7, 2018. Mr. Lau has over 14 years experience in auditing and financial accounting industry. Mr. Lau has been their company secretary and chief financial officer of Xinyi Glass Holdings Limited, a company principally engaged in production and sales of glass products and listed on the Stock Exchange (stock code: 868) since April 2003, and is responsible for managing the financial, taxation, investor relations and company secretary matters. Mr. Lau successively served as a financial manager and the financial controller at Pollution & Protection Services Ltd., a company primarily engaged in environmental protection, from June 1999 to April 2003. He successively served as an associate and a senior associate at PricewaterhouseCoopers from August 1994 to April 1999, where he was in charge of audits.

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

SENIOR MANAGEMENT

Mr. Anthony Kin Fai Chiu, aged 60, joined our Group as a financial controller in August 2014 and was promoted to chief financial officer in March 2017 where he is primarily responsible for accounting organization, financial planning, tax planning and treasury. Mr. Chiu has over 25 years experience in auditing, accounting and finance fields. Prior to joining our Group, from November 2006 to November 2012, he served as a group financial controller at North China German Auto Ltd., an auto dealership group, where he was primarily responsible for financial, treasury and administration matters. From August 2002 to October 2006, he served as a financial controller at Sime Darby Ltd., an auto dealership group, where he was primarily responsible for financial matters. From December 1997 to July 2002, he served as a financial analysis manager at Tetra Pak Hong Kong, a company principally engaged in food packaging, where he was principally responsible for business and financial analysis. He served as auditor at various accounting firms from August 1991 to November 1997. Mr. Chiu has been an independent non-executive director of Sigma Equity VA Fund since December 2015.

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

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Ms. Wendy Law, aged 67, joined our Group as a wholesale manager of air reservation unit of Tour East Canada in January 2004 where she was principally responsible for managing wholesale and ticketing operations. Ms. Law was promoted to general manager in August 2006 and further to director of air market where she is principally responsible for overseeing the business operations of retail business unit and air market. Ms. Law has over 30 years experience in travel industry. Prior to joining our Group, from March 2002 to October 2003, Ms. Law served as a director and officer of Travel Unique Inc. From April 1988 to May 2002, Ms. Law successively served as a wholesale sales manager and wholesale operations manager of Jade Tours, a company principally engaged in the provision of travel services, where she was primarily responsible for provision of travel arrangements to retail and corporate customers. From February 1976 to July 1986, Ms. Law worked at Cathay Pacific Airways Limited and last served as a senior purser. She was qualified as a flight attendant on Worldways Canada Ltd. in May 1987. Ms. Law obtained her high school education from St. Margaret's Girls College in Hong Kong from September 1965 to July 1970.

Mr. Jason Kam On Ho, aged 58, joined our Group as a business analyst in September 2008, and was promoted to director of travel technology services in March 2017 where he has been primarily responsible for leading software development team and overseeing network infrastructure team. Mr. Ho has over 30 years of experience in software development and project management. Prior to joining our Group, from March 1995 to July 2008, Mr. Ho served as a computer officer and assistant program manager at the Applied Technology Center of Hong Kong University of Science and Technology where he was primarily responsible for the development and implementation of technological projects and software quality assurance. From February 1991 to July 1994, he served as a software engineer at Spar Aerospace Limited, a company principally engaged in research and development of aerospace robotics system.

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

COMPANY SECRETARY

Mr. Kai Yu Chow, aged 39, was appointed as our company secretary on September 15, 2017. Mr. Chow joined our Group in July 2017 and is currently the financial controller of Tour East Canada. Prior to joining our Group, from September 2014 to June 2017, Mr. Chow served successively as an assistant finance manager and finance manager at Chim Kee Machinery Co., Ltd., a company primarily engaged in construction machinery business, where he was primarily responsible for overseeing and enhancing the accounting function of company's accounts and finance department. He worked at BDO Limited from May 2009 to September 2014 where he last served as an assistant manager and was primarily responsible for audit service. From August 2008 to April 2009, he served as an assistant in the audit and assurance division of Shu Lun Pan Hong Kong CPA Limited, an accounting firm, where he was responsible for audit service.

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to fulfilling its responsibilities to its Shareholders and protecting and enhancing Shareholders' value through good corporate governance. The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability. The Company's corporate governance practices are based on the principles (the "**Principles**") and code provisions (the "**Code Provisions**") in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The Company has adopted and complied with all applicable code provisions as set out in the CG Code for the year ended December 31, 2020 and thereafter up to the date of this report.

BOARD OF DIRECTORS

Responsibilities

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

Composition

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

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

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

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

Responsibilities of executive Directors

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

Responsibilities of independent non-executive Directors

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

Throughout the year ended December 31, 2020, the Company had three independent non-executive Directors, which met the requirements of the Listing Rules that the number of independent non-executive Directors must represent at least one-third of the Board and should not be less than three, and that at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

Each of the independent non-executive Directors has made an annual confirmation of independence in writing pursuant to Rule 3.13 of the Listing Rules and the Board is satisfied that all the independent non-executive Directors have been independent and met the independence guidelines set out in Rule 3.13 of the Listing Rules during the year ended December 31, 2020 and up to the date of this report.

Remuneration

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

The aggregate amount of remuneration (including salaries, allowances, discretionary bonuses, other benefits and contributions to pension schemes) paid or payable to our senior management for the year ended December 31, 2020 was approximately HK$1.9 million.

The remuneration of the Directors is determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group. Details of the remuneration of the Directors for the year ended December 31, 2020 are set out in note 9 to the consolidated financial statements. In addition, pursuant to Code Provision B.1.5 of the CG Code, the annual remuneration of members of the senior management by band for the year ended December 31, 2020 is set out below:

In the band of	Number of individuals
Nil to HK$500,000	—
HK$500,001 to HK$1,000,000	2
HK$1,000,001 to HK$1,500,000	1

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

Directors' induction and continuing professional development

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

The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities by reading materials relating to duties and responsibilities of directors of a listed company in Hong Kong, the Listing Rules and other applicable laws and regulations. Each of the Directors, namely, Mrs. Rita Pik Fong Tsang, Ms. Annie Shuk Fong Tsu, Dr. Kwok Chun Dennis Chu, Dr. Michael Edward Ricco, Mrs. Kitty Yuk-Yee Yeung and Mr. Sik Yuen Lau, has participated in continuous professional development during the year ended December 31, 2020 by reading materials relating to duties and responsibilities of directors of a listed company in Hong Kong, the Listing Rules and other applicable laws and regulations. All Directors are also encouraged to attend relevant training courses at the Company's expense to develop and refresh their knowledge and skills as part of their continuous professional development.

Meetings of Board and Board committees and Directors' attendance records

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

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

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

During the year ended December 31, 2020, four Board meetings were held whereat the Board (i) reviewed the unaudited consolidated financial results of the Company for the six months ended June 30, 2020 and the audited consolidated financial results of the Company for the year ended December 31, 2019; (ii) considered and approved the change of the auditors; (iii) considered and approved the overall strategies and policies of the Group. The attendance of individual Directors at the Board meetings and general meeting are set out in the following table:

	Attended/Eligible to attend	
Name of Directors	Board meeting	General meeting
Mrs. Rita Pik Fong Tsang *(Chairperson)*	6/6	1/1
Ms. Annie Shuk Fong Tsu	6/6	1/1
Dr. Kwok Chun Dennis Chu	6/6	1/1
Dr. Michael Edward Ricco	6/6	1/1
Mrs. Kitty Yuk-Yee Yeung	6/6	1/1
Mr. Sik Yuen Lau	6/6	1/1

CORPORATE GOVERNANCE FUNCTIONS

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

BOARD COMMITTEES

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

Audit Committee

The Company established an audit committee on May 7, 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The audit committee consists of three members, two of whom are independent non-executive Directors, being Mr. Sik Yuen Lau and Dr. Michael Edward Ricco, and one non-executive Director, being Dr. Kwok Chun Dennis Chu. The audit committee is chaired by Mr. Sik Yuen Lau. The Audit Committee has reviewed this report, including the audited consolidated results of the Group for the year ended December 31, 2020.

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

During the year ended December 31, 2020, three Audit Committee meeting was held whereat the Audit Committee (i) reviewed the unaudited consolidated financial results of the Company for the six months ended June 30, 2020 and the audited consolidated financial results of the Company for the year ended December 31, 2019; and (ii) reviewed the internal control and risk management system of the Group. The attendance of individual members was set out in the following table:

Name of Directors	Attended/ Eligible to attend
Mr. Sik Yuen Lau *(Chairman)*	2/2
Dr. Kwok Chun Dennis Chu	2/2
Dr. Michael Edward Ricco	2/2

Remuneration Committee

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

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

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

During the year ended December 31, 2020, one Remuneration Committee meeting was held whereat the Remuneration Committee has considered and reviewed the terms of employment contracts of the executive Directors and appointment letters of the non-executive Director and the independent non-executive Directors and has assessed the performance of the Directors. The Remuneration Committee considers that the terms of service agreements of the executive Directors and the appointment letters of the non-executive Director and the independent non-executive Directors are fair and reasonable. The attendance of individual members was set out in the following table:

Name of Directors	Attended/ Eligible to attend
Dr. Michael Edward Ricco *(Chairman)*	1/1
Mrs. Kitty Yuk-Yee Yeung	1/1
Mr. Sik Yuen Lau	1/1
Dr. Kwok Chun Dennis Chu	1/1

Nomination Committee

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

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

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

During the year ended December 31, 2020, one Nomination Committee meeting was held whereat the Nomination Committee reviewed the structure, size and diversity of the Board and assessed the independence of the independent non-executive Directors. The attendance of individual members was set out in the following table:

Name of Directors	Attended/ Eligible to attend
Mrs. Rita Pik Fong Tsang *(Chairperson)*	1/1
Mrs. Kitty Yuk-Yee Yeung	1/1
Dr. Michael Edward Ricco	1/1

Board diversity policy

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

Main Features of Risk Management and Internal Control Systems

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

Process used to identify, evaluate and manage significant risks

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct of the Company regarding Directors' transactions of the listed securities of the Company. The Company has made specific enquiry to all Directors, and all Directors have confirmed that they had complied with the Model Code and its code of conduct during the Year and up to the date of this report.

EXTERNAL AUDITOR AND REMUNERATION

The statement of the Company's auditors about their reporting responsibilities for the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 38 to 43 of this report.

For the year ended December 31, 2020, the remuneration payable or paid to the Company's auditors, BDO Limited, is as follows:

	For the year ended December 31, 2020 HK$'000
Statutory audit services	1,300
Others	175
	1,475

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of the consolidated financial statements which give a true and fair view of the state of affairs of the Group and of the results and cash flow during the reporting period. In preparing the consolidated financial statements for the year ended December 31, 2020, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. A statement from the external auditors about its reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 38 to 43 of this report.

INSIDE INFORMATION POLICY

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

COMPANY SECRETARY

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

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting

- Pursuant to the memorandum and articles of association of the Company (the "Memorandum and Articles"), any one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting ("EGM") to be called by the Board for the transaction of any business specified in such requisition.

- Eligible Shareholder(s) who wish to convene an EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong, at 31st Floor, 148 Electric Road, North Point, Hong Kong, for the attention of the Company Secretary.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted at the EGM. The Requisition must be signed by the Eligible Shareholder(s) concerned.

- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM within two months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition.

- If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Memorandum and Articles, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting enquiries by Shareholders to the Board

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

Procedures for Shareholders to put forward proposals at Shareholders' meeting

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

INVESTOR RELATIONS

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

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

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

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

DIVIDEND POLICY

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

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

CONSTITUTIONAL DOCUMENTS

There were no changes in the constitutional documents of the Company during the Year.

A copy of the latest version of the Memorandum and Articles are available on the website of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

REPORT OF THE DIRECTORS

The Board is pleased to present to the Shareholders their report for the year ended December 31, 2020 and the consolidated financial statements as at and for the year ended December 31, 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is an investment holding company. The Group are engaged in air ticket distribution, travel business process management and travel products and services in Canada and the United States. There were no changes in the nature of the Group's principal activities for the year ended December 31, 2020.

BUSINESS REVIEW

Further discussion and analysis of the Group's principal activities as required by Schedule 5 to the Companies Ordinance (Cap. 622), including a business review of the Group for the year and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis as set out on pages 6 to 11 of this report.

An analysis of the Group's performance during the year ended December 31, 2020 using financial key performance indicators is provided in the Financial Summary on page 114 of this report. These discussions form part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

For other risks and uncertainties faced by the Group, please refer to the section headed "Risks Factors" in the Prospectus.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with the requirements of relevant laws and regulations. During the year ended December 31, 2020, as far as the Board and management are aware of, there was no material breach or non-compliance with any applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

RELATIONSHIP WITH STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its key stakeholders, including its employees, customers and suppliers, to meet its immediate and long-term business goals. During the year ended December 31, 2020, there were no material and significant disputes between the Group and its employees, customers and suppliers.

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

RESULTS AND FINAL DIVIDEND

The results of the Group for the year ended December 31, 2020 and the Group's financial position as at December 31, 2020 are set out in the consolidated financial statements on pages 44 to 46 of this report.

In order to retain more cash to finance the working capital requirements and future development of the Group, the Board does not recommend the payment of final dividend for the year ended December 31, 2020 (December 31, 2019: HK$6,480,000). The Board will consider future dividend distribution in due course according to the Company's dividend policy.

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

ANNUAL GENERAL MEETING

It is proposed that the AGM will be held on June 29, 2021. The Company will publish an announcement in due course to inform the Shareholders of the place, date and time of the annual general meeting of the Company (the "AGM"). A notice convening the AGM will be published and despatched to the Shareholders in the manner required by the Company's articles of association and the Listing Rules in due course.

REPORT OF THE DIRECTORS

CLOSURE OF REGISTER OF MEMBERS

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

Latest time to lodge transfers documents for registration	4:30 p.m. on June 23, 2021
Closure of register of members (both days inclusive)	June 24, 2021 to June 29, 2021

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

RESERVES

Movements in the reserves of the Group during the year ended December 31, 2020 are set out in the consolidated statement of changes in equity on page 47 of this report and note 33 to the consolidated financial statements. As at December 31, 2020, the reserves of the Company available for distribution, as calculated under the provision of section 298 of the Companies Ordinance, and in accordance with the Companies Law Cap.22 of Cayman Islands, was approximately HK$42.0 million inclusive of share premium and retained earnings.

FINANCIAL SUMMARY

A summary of the published results and of the assets, equity and liabilities of the Group for the last five financial years is set out on page 114 of this report.

DIRECTORS

The Directors during the year ended December 31, 2020 and up to the date of this report were:

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

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

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

DIRECTORS' MATERIAL INTERESTS IN CONTRACTS

Save for those disclosed in this report, no transaction, arrangement or contract of significance to which the Company or its subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, subsisted at any time during the year ended December 31, 2020.

CONTROLLING SHAREHOLDERS' INTEREST

Save as disclosed in this report, no contracts of significance between the Company or any of its subsidiaries and a controlling Shareholder or any of its subsidiaries for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries subsisted at any time during the year ended December 31, 2020 or as at the end December 31, 2020.

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

As at December 31, 2020, 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.

REPORT OF THE DIRECTORS

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

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

Save as disclosed above, as at December 31, 2020, 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.

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

As at December 31, 2020, the interest and short positions of the persons (other than the Directors or chief executive of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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

Notes:

(1) All interests stated are held in long positions

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

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

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

Save as disclosed above, as at December 31, 2020, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2020.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2020, gross cost of procurement from the Group's largest supplier was approximately 22.1% of the total gross cost of procurement and the aggregate gross cost of procurement from its top five suppliers in aggregate were approximately 52.1% of the total gross cost of procurement.

Gross sales proceeds generated from the Group's largest customer was approximately 22.6% of the total gross sales proceeds and the aggregate gross sales proceeds generated from its top five customers in aggregate were approximately 49.5% of the total gross sales proceeds.

None of the Directors or any of their close associates or any Shareholders who, to the best knowledge of the Directors, own more than 5% of the number of issued share capital of our Company held an interest in any of the five largest suppliers or five largest customers of the Group during the year ended December 31, 2020.

PRE-EMPTIVE RIGHTS

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

SHARE OPTION SCHEME

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

1. Purpose of the Share Option Scheme

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

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

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

2. Participants of the Share Option Scheme

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7. The basis of determining the exercise price

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

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

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

(iii) the nominal value of a Share.

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

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

9. The remaining life of the Share Option Scheme

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed in the sections headed "Directors' and Chief Executive's Interest and Short Positions in Shares, Underlying Shares and Debentures of the Company or any of its associated corporations" on page 29 of this report and "Share Option Scheme" on pages 31 to 33 of this report, at no time during the Year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

CONTINUING CONNECTED TRANSACTIONS

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

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

On January 1, 2018, Tour East Canada as tenant entered into the Sheppard Tenancy Agreement with Ms. Min Tsu as a landlord, pursuant to which Ms. Min Tsu agreed to lease to Tour East Canada a property situated at Unit 173, 4438 Sheppard Avenue E, Scarborough, Ontario, Canada M1S 5V9 (the "Sheppard Premises"), with a total gross floor area of approximately 295 sq. ft. The Sheppard Premises has been used as our retail branch in Ontario. The Sheppard Tenancy Agreement has a term commenced from January 1, 2018 and ending on December 31, 2020 at a monthly basic rental (exclusive of sales taxes, proportionate share of all the realty taxes and operating costs payable by Tour East Canada) of CAD2,000. During the term of the Sheppard Tenancy Agreement, each of Ms. Min Tsu and Tour East Canada shall have the right to terminate the Sheppard Tenancy Agreement by giving 180-day prior written notice to each other without paying any compensation, other than in respect of any matters arising prior to the date of termination. Tour East Canada has an option to renew the Sheppard Tenancy Agreement subject to the applicable requirements of the Listing Rules. Pursuant to the Sheppard Tenancy Agreement, the performance of Tour East Canada's obligations thereunder is subject to due compliance with the Listing Rules, provided that the Listing Rules are not in contravention to the laws of Ontario and the federal laws of Canada. During the year, total consideration for the Sheppard Tenancy Agreement amounted to CAD6,000.

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

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

On May 7, 2018, Tour East Canada as tenant entered into the Kern Tenancy Agreement with Mrs. Tsang, Ms. Tsu and Dr. Chu (together as "landlord"), pursuant to which landlord agreed to lease to Tour East Canada a property situated at 15 Kern Road, Toronto, Ontario, Canada M3B 1S9 (the "Kern Premises"), with a total gross floor area of approximately 14,490 sq. ft. The Kern Premises has been used as our head office in Ontario. The Kern Tenancy Agreement has a term commenced from May 7, 2018 and ending on May 6, 2021 at a monthly basic rental (exclusive of sales taxes, proportionate share of all the realty taxes and operating costs payable by Tour East Canada) of CAD20,000. During the term of the Kern Tenancy Agreement, landlord and Tour East Canada shall have the right to terminate the Kern Tenancy Agreement by giving 180-day prior written notice to each other without paying any compensation, other than in respect of any matters arising prior to the date of termination. Tour East Canada has an option to renew the Kern Tenancy Agreement subject to the applicable requirements of the Listing Rules. Pursuant to the Kern Tenancy Agreement, the performance of Tour East Canada's obligations thereunder is subject to due compliance with the Listing Rules, provided that the Listing Rules are not in contravention to the laws of Ontario and the federal laws of Canada. During the year, total consideration for the Kern Tenancy Agreement amounted to CAD210,000.

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

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

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

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

Confirmation of independent non-executive Directors

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

Confirmation from auditor of the Company

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

The Board has received an unqualified letter from BDO Limited with respect to the above continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules and the letter stated that for the year ended December 31, 2020, the continuing connected transactions disclosed above:

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

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

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

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

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

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

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

During the year ended December 31, 2020 and up to the date of this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE AND MODEL CODE

The Company has complied with the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules throughout the Year. For details, please refer to the Corporate Governance Report of the Company which is set out on pages 15 to 25 of this report.

The Company has adopted the Model Code as the securities dealing code for its Directors. Having made specific enquiry to all Directors, all Directors confirmed that they have fully complied with the required standards and provisions as set out in the Model Code during the year ended December 31, 2020.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of year ended December 31, 2020 and up to the date of this report, none of the Directors and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

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

The Company has received an annual written confirmation from the Covenantors in respect of their compliance with the Deed of Non-competition. The independent non-executive Directors have reviewed and were satisfied that each of the Covenantors has complied with the Deed of Non-competition during the year ended December 31, 2020.

PERMITTED INDEMNITY PROVISIONS

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

The Company has taken appropriate insurance coverage in respect of Directors' and officers' liability throughout the year ended December 31, 2020.

SUFFICIENCY OF PUBLIC FLOAT

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

RELIEF OF TAXATION

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

REVIEW OF THE ANNUAL RESULTS

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

AUDITORS

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

On behalf of the Board

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

Hong Kong, March 31, 2021

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of CTEH Inc. (the "Company") and its subsidiaries (together the "Group") set out on pages 44 to 113, which comprise the consolidated statement of financial position as at December, 31 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Account-ants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key Audit Matters	Our response
Recoverability of deferred income tax assets arising from unused tax losses and carried forward tax deductions *Refer to notes 4 and 21 to the consolidated financial statements.* The Group recognised deferred income tax assets arising from unused tax losses and carried forward tax deductions of HK$22,052,000 as at December 31, 2020. Estimating the deferred income tax assets to be recognised requires a process that involves forecasting future years' taxable income and assessing the ability of the Group to utilise tax benefits through future earnings and tax structuring. We considered the recoverability of deferred income tax assets arising from unused tax losses and carried forward tax deductions to be a matter of most significance in our audit due to the magnitude thereof and the key assumptions used by management in forecasting future years' taxable income and assessing the ability of the Group to utilise tax benefits in the future.	Our audit procedures included, amongst others: • We assessed the reasonableness of management's forecast of future years' taxable income and key assumptions used in the forecast by comparing this to historical results of the Group and other relevant information. We performed a sensitivity analysis to assess the potential impact of reasonably possible downside changes in key assumptions. • With the assistance of our tax specialists, we assessed the reasonableness of management's tax structuring of the Group. • We tested the mathematical accuracy of management's underlying calculations.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters	Our response
Impairment assessment of property, plant and equipment, intangible assets and right-of-use assets *Refer to notes 14, 15 and 27 to the consolidated financial statements.* The Group had property, plant and equipment, intangible assets and right-of-use assets with carrying amount, net of impairment, of HK$3,940,000, HK$2,027,000 and HK$3,895,000 respectively. During the year ended December 31, 2020, the provision of impairment of HK$587,000, HK$309,000 and HK$580,000 were provided for property, plant and equipment, intangible assets and right-of-use assets respectively in profit and loss. The management of the Group would determine the recoverable amount of the property, plant and equipment, intangible assets and right-of-use assets if there is indication that those assets may be impaired. The recoverable amount is determined based on value-in-use calculations which required the use of estimates such as future cash flows and discount rate. The use of these estimates involves a significant degree of management judgement and therefore could have a material impact on any impairment recorded for the year. We considered the impairment assessment of property, plant and equipment, intangible assets and right-of-use assets to be a matter of most significance in our audit due to the significant degree of judgment and the key assumptions used by management in forecasting future cash flows, which may affect the carrying value of the Group's property, plant and equipment, intangible assets and right-of-use assets for the current year.	Our audit procedures included, amongst others: • We assessed the reasonableness of management's forecast of future years' cash flows and key assumptions used in the forecast by comparing this to historical results of the Group and other relevant information. We performed a sensitivity analysis to assess the potential impact of reasonably possible downside changes in key assumptions. • We assessed the discount rate employed in the calculation of value-in-use by reviewing its basis of calculation and comparing its input data to market sources. • We tested the mathematical accuracy of management's underlying calculations.

Key Audit Matters	Our response
Expected credit losses ("ECLs") assessment on trade receivables and receivables from travel companies for ticket costs *Refer to notes 18 and 19 to the consolidated financial statements.* The Group had trade receivables and receivables from travel companies for ticket costs with carrying amount, net of ECL allowance, of HK$4,183,000 and HK$43,472,000 respectively, as at December 31, 2020. During the year ended December 31, 2020, the provision of ECLs allowance of HK$630,000 and HK$50,194,000 were provided for trade receivables and receivables from travel companies for ticket costs respectively in the profit or loss. Estimating the ECLs allowance to be recognised was based on a forward-looking ECLs approach. The measurement on the Group's trade receivables and receivables from travel companies for ticket costs under such approach were estimated by management through an application of judgement and estimation. The potential impact of economic factors and Coronavirus disease ("COVID-19") pandemic were also considered in management's assessment of the likelihood of recovery from its customers and travel companies. We considered the recognition of ECLs allowance on trade receivables and receivables from travel companies for ticket costs to be a matter of most significance in our audit due to the magnitude thereof and the key assumptions used by management in assessing the recoverability of the trade receivables and receivables from travel companies for ticket costs.	Our audit procedures included, amongst others: • We obtained an understanding of and assessed the Group's process and control over the collection and the assessment of the recoverability of the trade receivables and receivables from travel companies for ticket costs. • We obtained an understanding of the key parameters inputs and assumptions of the ECLs model adopted by management, including historical default data and estimated loss rates. • We assessed the reasonableness of management's ECLs allowance estimates by examining the information used by management, including historical settlement pattern, default data, past due status and any payments received up to the date of completing our audit procedures, current market conditions and forward-looking information. • We re-performed the calculation of the ECLs allowance based on the Group's credit loss allowance policies.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

BDO Limited
Certified Public Accountants
Ng Wai Man
Practising Certificate No. P05309

Hong Kong, March 31, 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2020

	Notes	Year ended December 31, 2020 HK$'000	2019 HK$'000
Revenue	5	**51,605**	112,141
Cost of sales	7	**(28,024)**	(31,792)
Gross profit		**23,581**	80,349
Other income	6	**21,410**	375
Other gains, net	6	**4,127**	357
Expected credit losses ("ECLs") allowance on financial assets	18 & 19	**(50,068)**	—
Impairment loss on non-financial assets	14, 15 & 27	**(1,476)**	—
Selling expenses	7	**(11,270)**	(17,599)
Administrative expenses	7	**(39,671)**	(47,221)
Operating (loss)/profit		**(53,367)**	16,261
Finance income	10	**76**	621
Finance costs	10	**(314)**	(227)
Finance (costs)/income, net	10	**(238)**	394
Share of net losses of joint ventures	16	**(511)**	(1,140)
(Loss)/profit before income tax		**(54,116)**	15,515
Income tax credit/(expense)	11	**6,055**	(4,768)
(Loss)/profit for the year attributable to owners of the Company		**(48,061)**	10,747
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
– *Currency translation differences*		**(47)**	1,669
Item that will not be reclassified to profit or loss:			
– *Change in fair value of equity instrument at fair value through other comprehensive income*		**1,307**	(639)
Other comprehensive income for the year		**1,260**	1,030
Total comprehensive (expenses)/income for the year attributable to owners of the Company		**(46,801)**	11,777
Basic and diluted (losses)/earnings per share (HK Cents)	12	**(4.0)**	0.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

	Notes	**As at December 31, 2020 HK$'000**	As at December 31, 2019 HK$'000
Non-current assets			
Property, plant and equipment	14	**3,940**	5,947
Intangible assets	15	**2,027**	4,920
Right-of-use assets	27	**3,895**	7,252
Interests in joint ventures	16	**10,681**	11,192
Financial assets at fair value through profit or loss ("**FVTPL**")	22	**1,507**	1,395
Financial asset at fair value through other comprehensive income ("**FVTOCI**")	22	**3,774**	2,359
Deferred income tax assets	21	**22,052**	17,678
		47,876	50,743
Current assets			
Trade receivables	18	**4,183**	15,727
Prepayments, deposits and other receivables	19	**49,206**	93,411
Financial assets at FVTPL	22	**5,876**	15,300
Income tax recoverable		**2,224**	5,814
Cash and cash equivalents	20	**30,095**	71,579
		91,584	201,831
Total assets		**139,460**	252,574
EQUITY			
Equity attributable to the owners of the Company			
Share capital	23(a)	**120**	120
Share premium		**88,248**	88,248
Other reserve	23(b)	**(41,256)**	(41,256)
Financial asset at FVTOCI reserve	23(c)	**668**	(639)
Exchange reserve		**7,601**	7,648
Retained earnings		**58,484**	113,025
Total equity		**113,865**	167,146

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

	Notes	As at December 31, 2020 HK$'000	As at December 31, 2019 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	21	638	1,138
Lease liabilities	27	3,361	4,895
Loan from government	28	2,666	—
		6,665	6,033
Current liabilities			
Trade payables	24	184	34
Accruals and other payables	25(a)	15,777	73,268
Contract liabilities	25(b)	1,359	3,574
Lease liabilities	27	1,610	2,519
		18,930	79,395
Total liabilities		25,595	85,428
Total equity and liabilities		139,460	252,574

The consolidated financial statements on pages 44 to 113 were approved for issue by the Board of Directors on March 31, 2021 and were signed on its behalf.

Mrs. Rita Pik Fong Tsang
Executive Director, Chairperson

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2020

	Attributable to owners of the Company						
	Share capital HK$'000 Note 23(a)	Share premium HK$'000 Note 23(a)	Other reserve HK$'000 Note 23(b)	Financial asset at FVTOCI reserve HK$'000 Note 23(c)	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at January 1, 2019	120	88,248	(41,256)	–	5,979	107,798	160,889
Comprehensive income							
Profit for the year	–	–	–	–	–	10,747	10,747
Other comprehensive income							
Currency translation differences	–	–	–	–	1,669	–	1,669
Change in fair value of equity instrument at FVTOCI	–	–	–	(639)	–	–	(639)
Total comprehensive income and other comprehensive income for the year	–	–	–	(639)	1,669	10,747	11,777
Total transactions with owners in their capacity as owners							
Dividends paid	–	–	–	–	–	(5,520)	(5,520)
Balance at December 31, 2019	120	88,248	(41,256)	(639)	7,648	113,025	167,146
Comprehensive income							
Loss for the year	–	–	–	–	–	(48,061)	(48,061)
Other comprehensive income							
Currency translation differences	–	–	–	–	(47)	–	(47)
Change in fair value of equity instrument at FVTOCI	–	–	–	1,307	–	–	1,307
Total comprehensive income and other comprehensive income for the year	–	–	–	1,307	(47)	(48,061)	(46,801)
Total transactions with owners in their capacity as owners							
Dividends paid (Note 13)	–	–	–	–	–	(6,480)	(6,480)
Balance at December 31, 2020	120	88,248	(41,256)	668	7,601	58,484	113,865

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

	Notes	Year ended December 31, 2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Cash used in operations	29	(52,398)	(25,414)
Interest paid on lease liabilities	10	(277)	(227)
Income tax refunded/(paid)		4,968	(9,855)
Net cash used in operating activities		(47,707)	(35,496)
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(644)	(2,016)
Purchase of intangible assets	15	(10)	(2,867)
Acquisition of financial assets at FVTPL — listed equity securities		(3,044)	(14,550)
Acquisition of financial assets at FVTPL — investment fund		(2,330)	(2,953)
Proceeds from disposal of financial assets at FVTPL — listed equity securities		18,369	—
Dividends received from financial assets at FVTPL — listed equity securities		1,088	375
Interest received		76	621
Net cash generated from/(used in) investing activities		13,505	(21,390)
Cash flows from financing activities			
Proceeds of loan from government	30	2,894	—
Repayment of principal portion of the lease liabilities	30	(2,708)	(2,091)
Dividends paid		(6,480)	(5,520)
Net cash used in financing activities		(6,294)	(7,611)
Net decrease in cash and cash equivalents		(40,496)	(64,497)
Cash and cash equivalents at beginning of year		71,579	138,274
Effect of currency translation differences		(988)	(2,198)
Cash and cash equivalents at end of year		30,095	71,579

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND REORGANISATION

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

The Company is an investment holding company. The 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 consolidated financial statements are presented in Hong Kong dollar ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation and going concern assumption

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") as issued by International Accounting Standards Board ("**IASB**") and related interpretations and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Security on the Stock Exchange of Hong Kong Limited (the "**Listing Rule**"). The consolidated financial statements of the Group have been prepared under the historical cost convention, as modified by the revaluation of financial assets measured at FVTPL and financial asset measured at FVTOCI which are carried at fair value.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(continued)*

(i) New or revised standards adopted by the Group

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

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IAS 39, IFRS 7 and IFRS 9	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of these new or revised standards did not have any significant impact on the Group's consolidated financial statements.

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

The following new standards, amendments and interpretations to existing standards are mandatory for accounting periods beginning on or after January 1, 2021.

		Effective for accounting periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 16	Proceeds before Intended Use	January 1, 2022
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract	January 1, 2022
Amendments to IFRS 16	COVID-19-Related Rent Concessions	June 1, 2020
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
Annual Improvements to IFRSs 2018 - 2020	Amendments to IFRS 1 – First-time Adoption of IFRS; Amendments to IFRS 9 – Financial Instruments; Amendments to IFRS 16 and Amendments to IAS 41 – Agriculture	January 1, 2022
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined*
Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021

* The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(continued)*

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

(a) Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have a material impact on the consolidated financial statements.

(b) Amendments to IAS 16 – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have a material impact on the consolidated financial statements.

(c) Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC-Int 21 Levies, the acquirer applies IFRIC-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have a material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(continued)*

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

(d) Amendments to IFRS 16 – COVID-19-Related Rent Concessions

IFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in IFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before June 30, 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expe-dient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of IFRS 16 in accounting for the rent conces-sion.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease lia-bility is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Except for those mentioned above, the new or revised standards that have been issued but are not yet effective are unlikely to have material impact on the Group's consolidated results and consolidated financial position upon application.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Consolidation

(i) Subsidiaries

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

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

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

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

(ii) Joint arrangements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Consolidation *(continued)*

(iii) Equity accounting

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

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

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

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

2.3 Business combinations

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.4 Segment information

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transaction and balances

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 year 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 statement of comprehensive income.

2.7 Intangible assets

(a) Computer software

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.7 Intangible assets *(continued)*

(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 Offsetting financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 Trade and other receivables

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

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

2.11 Cash and cash equivalents

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

2.12 Restricted term deposit

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

2.13 Share capital

Ordinary shares are classified as equity.

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.

2.14 Trade and other payables

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

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

2.15 Borrowings

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.16 Borrowing costs

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

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

2.17 Redeemable preference shares

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

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

2.18 Current and deferred income tax

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

(a) Current income tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.18 Current and deferred income tax *(continued)*

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

(c) Offsetting

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

2.19 Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.20 Employee benefits

(a) Employee leave entitlements

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

(b) Pension

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

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

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

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.21 Revenue from Contracts with Customers

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.22 Leases

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

Right-of-use asset

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Lease liability

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.23 Government grant

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other revenue, rather than reducing the related expense.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

2.24 Financial guarantee contract

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

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

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

2.25 Dividend distributions

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.26 Financial Instruments

(i) Classification

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 FVTOCI.

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

(ii) Measurement

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

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

Debt instruments

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.26 Financial Instruments *(continued)*

(ii) Measurement (continued)

- FVTOCI: 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 FVTOCI. 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 profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other losses, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other losses, net, and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

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

Equity instruments

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

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

(iii) Impairment

The Group assesses on a forward looking basis the ECLs associated with its debt instruments carried at amortised cost and FVTOCI. ECLs are measured on either of the following bases:

- 12-months ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.26 Financial Instruments *(continued)*

(iii) Impairment (continued)

The Group measured ECLs allowance for trade receivables and receivables from travel companies for ticket costs under other receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-months ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realising security (if any is held); or the financial asset is more than 90 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status.

The Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a ECLs allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the ECLs allowance is recognised in other comprehensive income and accumulated in "FVTOCI reserve (recycling)".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.27 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

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

(b) Share-based payment transactions among group entities

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

There was no share option granted during the year ended December 31, 2020 (2019: nil).

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

	As at December 31,	
	2020	2019
	HK$'000	HK$'000
Assets		
USD	**2,224**	8,944
Others	**38**	36
	2,262	8,980

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

As at December 31, 2020, if the USD had strengthened/weakened by 10% with all other variables held constant, the post-tax profit would have been approximately HK$163,000 higher/lower (2019: HK$657,000), 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. Borrowings denominated in USD are subject to floating interest rates at the U.S. prime rate plus 1.5% up to December 31, 2020 (2019: 1.5%). Bank borrowings denominated in CAD are subject to floating interest rates at the Canadian prime rate.

As at December 31, 2020 and 2019, the Group has no interest-bearing borrowing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

The credit risk of the Group mainly arises from trade and other receivables, receivables from travel companies for ticket costs, financial assets at FVTPL, financial asset at FVTOCI and cash and cash equivalents. 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 trade receivables are in relation to margin income from sale of air ticket, incentive commissions from airlines, company-operated tours sold to sub-agents and travel business process management earned from travel companies.

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

As at December 31, 2019, 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.

As at December 31, 2020, the Group measures ECLs allowance for trade receivables and contract assets, if any, at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the ECLs allowance based on past due status is not further distinguished between the Group's different customer bases. In view of the difference in the way in which COVID-19 pandemic impacted exposure to different customer groups, loss rates are calculated separately for exposures in different revenue segments.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(b) Credit risk (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and receivables from travel companies for ticket costs under other receivables as at December 31, 2020 and 2019:

December 31, 2020	Current	Within 90 days past due	91 days to 180 days past due	181 days to 12 months past due	More than 12 months past due	Total
Expected loss rate (%)	8.5%	10.3%	90.6%	100%	100%	51.6%
Gross carrying amount (HK$'000)	18,548	29,030	49,290	1,530	81	98,479
ECLs allowance (HK$'000)	1,578	2,976	44,659	1,530	81	50,824

December 31, 2019	Current	Within 90 days past due	91 days to 180 days past due	181 days to 12 months past due	More than 12 months past due	Total
Expected loss rate (%)	N/A	N/A	N/A	N/A	N/A	N/A
Gross carrying amount (HK$'000)	101,623	—	—	118	—	101,741
ECLs allowance (HK$'000)	—	—	—	—	—	—

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(b) Credit risk (continued)

In respect of other receivables (excluding receivables from travel companies for ticket costs), the Group considered that the credit risk is low, and the ECLs allowance recognised during the year was therefore limited to 12 months ECLs. The allowances under ECLs was determined for other receivables (excluding receivables from travel companies for ticket costs), as at December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Expected loss rate (%)	**10.3%**	N/A
Gross carrying amount (HK$'000)	**2,920**	3,308
ECLs allowance (HK$'000)	**301**	—

Movement in the ECLs allowance account in respect of trade and other receivables (including receivables from travel companies for ticket costs) during the year is as follows:

	Trade receivables HK$'000	**Other receivables HK$'000**	**Total HK$'000**
Balance at January 1, 2019, December 31, 2019 and January 1, 2020	**—**	**—**	**—**
ECLs allowance recognised during the year	**600**	**49,468**	**50,068**
Exchange differences	**30**	**1,027**	**1,057**
Balance at December 31, 2020	**630**	**50,495**	**51,125**

For financial assets measured at FVTPL and financial assets measured at FVTOCI, management is of the opinion that the credit risk is low due to the management closely monitor the fair value of those investments.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the end of reporting period, the Group has a certain concentration of credit risk as 49% and 32% of the Group's trade receivables was due from the Group's three largest customers as at December 31, 2020 and 2019 respectively.

The credit policies have been consistently applied and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

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

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

	Carrying amount HK$'000	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
As at December 31, 2020						
Trade payables	184	184	–	–	–	184
Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses)	15,178	15,178	–	–	–	15,178
Loan from government	2,666	–	–	1,827	1,218	3,045
Lease liabilities	4,971	1,650	752	3,046	–	5,448
	22,999	17,012	752	4,873	1,218	23,855
As at December 31, 2019						
Trade payables	34	34	–	–	–	34
Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses)	71,424	71,424	–	–	–	71,424
Lease liabilities	7,414	2,806	1,761	3,604	–	8,171
	78,872	74,264	1,761	3,604	–	79,629

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 Capital risk management

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

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

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

The debt-to-equity ratios were as follows:

	As at December 31,	
	2020	2019
	HK$'000	HK$'000
Loan from government (Note 28)	**2,666**	—
Less:		
Cash and cash equivalents (Note 20)	**(30,095)**	(71,579)
Net cash	**(27,429)**	(71,579)
Total equity	**113,865**	167,146
Debt-to-equity ratio	**N/A**	N/A

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

As at December 31, 2020 and 2019, the Group has banking facilities available in the form of letters of guarantee of HK$23,651,000 and HK$92,760,000, and in the form of a demand revolving loan of HK$ nil and HK$17,989,000, respectively. For the year ended December 31, 2020, the Group is in compliance with all banking covenants (Note 26).

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at December 31, 2020 and 2019, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

The following table presents the Group's assets that are measured at fair value as at December 31, 2020 and 2019.

	Level 1 (note (a)) HK$'000	Level 2 HK$'000	Level 3 (note (b)) HK$'000	Total HK$'000
As at December 31, 2020				
Assets				
Financial assets at FVTPL	**7,383**	**—**	**—**	**7,383**
Financial asset at FVTOCI	**—**	**—**	**3,774**	**3,774**
	7,383	**—**	**3,774**	**11,157**
As at December 31, 2019				
Assets				
Financial assets at FVTPL	16,695	—	—	16,695
Financial asset at FVTOCI	—	—	2,359	2,359
	16,695	—	2,359	19,054

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(continued)*

Notes:

(a) The financial assets at FVTPL represent (i) a government bond issued by the Canadian government, which was matured on March 21, 2023; (ii) listed equity securities investment; and (iii) an investment fund, which contained a portfolio of listed equity and debt instruments (Note 22). The fair value is determined with reference to a quoted price in active markets.

(b) The financial asset at FVTOCI represent an unlisted equity investment (Note 22). The fair value is determined with reference to a valuation report issued by an independent valuation expert with discounted cash flow approach. To determination of its fair value is based on certain parameters including discount rate and terminal sale growth rate which are unobservable. The significant unobservable inputs are shown as below:

Significant unobservable inputs	Relationship of unobservable inputs to fair value
Discount rate of 53% (2019: 21%)	The lower the discount rate, the higher fair value
Terminal growth rate of 3% (2019: 3%)	The higher the terminal growth rate, the higher fair value

Increased discount rate by 1% would decrease the fair value of financial asset at FVTOCI by approximately HK$97,000 (2019: HK$24,000 whilst decrease discount rate by 1% would increase the fair value of the financial asset at FVTOCI by approximately HK$101,000 (2019: HK$27,000).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

The financial assets classified in level 3 use valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level are reconciled from opening to closing balances as follows:

	2020 HK$'000	2019 HK$'000
At January 1	2,359	—
Additions	—	2,953
Fair value change recognised in other comprehensive income	1,307	(639)
Exchange difference	108	45
At December 31	3,774	2,359

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Revenue recognition for incentive commissions

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

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

For the years ended and as at December 31, 2020 and 2019, the Group has incentive commissions revenue of HK$3,796,000 and HK$38,508,000, and incentive commissions receivables (net of ECLs allowance) of HK$3,100,000 and HK$13,158,000 respectively (Note 18).

(b) Recognition of deferred income tax asset

At December 31, 2020, a deferred tax asset of HK$22,052,000 (2019: HK$17,678,000) in relation to unused tax losses and ECLs allowance were recognised in the consolidated financial statements. Estimating the deferred income 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 income 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 income tax asset in the future.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(c) Estimating the incremental borrowing rate for leases

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

(d) Current income tax

The Group is subject to income taxes in the Canada and New York. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises taxes based on estimates of the likely outcome with reference to current tax laws and practices. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expense and current tax provision in the period in which such determination is made.

(e) Fair value measurement of financial asset at FVTOCI

The fair value measurement of financial asset at FVTOCI were categorised within Level 3 of the fair value hierarchy, which required significant judgments and estimates by considering factors including, but not limited to the future operating performance and cash flow of the investee company and economic and market conditions in which the investee company operated etc. The fair value of the financial asset at FVTOCI will be revised upward or downward where future performance are different from previous forecast. The fair value of the financial asset at FVTOCI and corresponding significant unobservable input of the valuation are disclosed in note 3.3.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(f) Provision of ECLs for trade and other receivables and receivables from travel companies for ticket costs

The provision of ECLs allowance for trade and other receivables and receivables form travel companies for ticket costs require judgment, in particular, the estimation of the amount and timing of future cash flows when determining ECLs allowance and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At the end of each reporting period, the Group assesses whether there has been a significant increase in credit risk on the other receivables and receivables from travel companies for ticket costs since initial recognition by comparing the risk of default occurring over the expected life. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, i.e. the further development of COVID-19 pandemic.

5 REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

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

	Year ended December 31, 2020			
	Air ticket distribution HK$'000	Travel business process management HK$'000	Travel products and services HK$'000	Total HK$'000
Revenue from external customers	21,380	28,118	2,107	51,605
Time of revenue recognition				
At a point in time	21,380	28,118	747	50,245
Over the time	—	—	1,360	1,360
	21,380	28,118	2,107	51,605
Segment results	5,050	11,862	957	17,869
Other income				2,585
Other gains, net				4,127
ECLs allowance on financial assets				(50,068)
Administrative expenses				(27,880)
Finance costs, net				(238)
Share of net losses of joint ventures				(511)
Loss before income tax				(54,116)
Income tax credit				6,055
Loss for the year				(48,061)
Other segment items:				
Depreciation and amortisation	1,021	2,018	559	3,598
Capital expenditure	143	284	78	505
Depreciation of right-of-use assets	618	1,297	513	2,428

5 REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

	Year ended December 31, 2019			
	Air ticket distribution HK$'000	Travel business process management HK$'000	Travel products and services HK$'000	Total HK$'000
Revenue from external customers	71,604	25,947	14,590	112,141
Time of revenue recognition				
At a point in time	71,604	25,947	3,563	101,114
Over the time	—	—	11,027	11,027
	71,604	25,947	14,590	112,141
Segment results	35,870	11,682	2,407	49,959
Other income				375
Other gain, net				357
Administrative expenses				(34,430)
Finance income, net				394
Share of net losses of joint ventures				(1,140)
Profit before income tax				15,515
Income tax expense				(4,768)
Profit for the year				10,747
Other segment items:				
Depreciation and amortisation	1,373	2,045	781	4,199
Capital expenditure	1,282	1,911	728	3,921
Depreciation of right-of-use assets	631	627	630	1,888

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

	Year ended December 31,	
	2020 HK$'000	2019 HK$'000
Company A – travel business process management segment	**12,872**	24,626
Company B – travel business process management segment (note)	**14,516**	N/A

Note:

The customer did not contribute 10% or more of the total revenue of the Group in preceding financial year.

5 REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

There is no material inter-segment revenue.

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

	Year ended December 31,	
	2020	2019
	HK$'000	HK$'000
Canada	**44,237**	93,638
United States	**7,368**	18,503
	51,605	112,141

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

	Year ended December 31,	
	2020	2019
	HK$'000	HK$'000
Canada	**69,710**	147,155
United States	**38,630**	57,080
Hong Kong	**31,120**	48,339
	139,460	252,574

As at December 31, 2020, all material non-current assets, other than deferred income tax assets of approximately HK$9,818,000 (2019: HK$129,000) and interests in joint ventures of approximately HK$10,681,000 (2019: HK$ 11,192,000), are located in Canada.

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

	Year ended December 31,	
	2020 HK$'000	2019 HK$'000
Other income		
Subsidies (Note)	20,322	—
Dividends income from financial assets at FVTPL	1,088	375
	21,410	375
Other gains/(losses), net		
Foreign exchange gain/(loss)	476	(393)
Gain on disposal of financial assets at FVTPL	2,981	—
Fair value change in financial asset at FVTPL	670	750
	4,127	357

Note: It mainly represents grants received in relation to wage subsidies from Canada Emergency Wage Subsidy Program. There are no unfulfilled conditions or contingencies relating to these grants as at December 31, 2020.

7 EXPENSES BY NATURE

	Year ended December 31,	
	2020 HK$'000	2019 HK$'000
Cost of package tours and tickets	626	9,325
Employee benefit expenses (including directors' emoluments) (Note 8)	53,688	56,011
Office, telecommunication and utility expenses	4,164	4,791
Depreciation of right-of-use assets	2,746	2,252
Short-term leases expenses	360	267
Advertising and promotion	269	1,990
Credit card fees	284	954
Auditor's remuneration		
– Audit service	1,300	1,500
– Non-audit service	175	100
Depreciation of property, plant and equipment (Note 14)	2,081	2,145
Amortisation of intangible assets (Note 15)	2,538	3,076
Legal and professional fees	2,534	3,551
Service fees	3,478	4,544
Others	4,722	6,106
Total cost of sales, selling and administrative expenses	78,965	96,612

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended December 31,	
	2020	2019
	HK$'000	HK$'000
Directors' fees, salaries, bonuses and allowances	**48,874**	52,158
Pension costs	**1,748**	1,794
Other employee benefits	**3,066**	2,059
	53,688	56,011

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 5.3% (2019: 5.1%) 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% (2019: 6.2%) of payroll costs to a retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement scheme is to make the specified contributions.

During the year ended December 31, 2019 and 2020, there are no forfeited contributions available to offset future retirement benefit obligations of the Group.

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included two directors for the years ended December 31, 2020 (2019: two). The emoluments paid/payable to the remaining three (2019: three) non-director highest paid individuals during year are as follows:

	Year ended December 31,	
	2020	2019
	HK$'000	HK$'000
Salaries, allowances and benefits	**2,633**	3,391
Pension costs	**46**	46
	2,679	3,437

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

Five highest paid individuals *(continued)*

The emoluments paid/payable to the non-director highest paid individuals fell within the following bands for the years ended December 31, 2020 and 2019 is as follows:

	Year ended December 31,	
	2020	2019
Emolument bands		
Nil to HK$500,000	–	–
HK$500,001 to HK$1,000,000	2	1
HK$1,000,001 to HK$1,500,000	1	2
	3	3

There were no amounts paid/payable to the aforementioned three highest paid individuals as an inducement to join or upon joining the Group during the years ended December 31, 2020 and 2019.

There was no compensation paid/payable to the aforementioned three highest paid individuals for the loss of any office in connection with the management of the affairs of the Company and its subsidiaries during the years ended December 31, 2020 and 2019.

9 DIRECTORS' BENEFITS AND INTERESTS

The remuneration of each Director of the Company paid/payable by the Group for the years ended December 31, 2020 and 2019 is set out below:

Year ended December 31, 2020

Name	Fees HK$'000	Salaries, other allowances and benefits HK$'000	Discretionary bonuses HK$'000	Pension costs – defined contribution plan HK$'000	Total HK$'000
Executive Directors					
Mrs. Rita Pik Fong Tsang (Chairperson)	–	2,118	–	–	2,118
Ms. Annie Shuk Fong Tsu (Chief Executive Officer)	–	1,615	–	–	1,615
Non-executive Director					
Dr. Kwok Chun Dennis Chu	358	–	–	–	358
Independent Non-executive Directors ("**INED**")					
Dr. Michael Edward Ricco	113	–	–	–	113
Mrs. Kitty Yuk-Yee Yeung	113	–	–	–	113
Mr. Sik Yuen Lau	180	–	–	–	180
	764	3,733	–	–	4,497

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 DIRECTORS' BENEFITS AND INTERESTS *(CONTINUED)*

Year ended December 31, 2019

Name	Fees HK$'000	Salaries, other allowances and benefits HK$'000	Discretionary bonuses HK$'000	Pension costs – defined contribution plan HK$'000	Total HK$'000
Executive Directors					
Mrs. Rita Pik Fong Tsang (Chairperson)	–	2,542	–	–	2,542
Ms. Annie Shuk Fong Tsu (Chief Executive Officer)	–	2,830	–	–	2,830
Non-executive Director					
Dr. Kwok Chun Dennis Chu	480	–	–	–	480
Independent Non-executive Directors ("**INED**")					
Dr. Michael Edward Ricco	150	–	–	–	150
Mrs. Kitty Yuk-Yee Yeung	150	–	–	–	150
Mr. Sik Yuen Lau	240	–	–	–	240
	1,020	5,372	–	–	6,392

The Group has not paid consideration to any third parties for making available Directors' services during the year ended December 31, 2020 (2019: nil).

As at December 31, 2020, there were no loans, quasi-loans and other dealing arrangements in favour of the directors, bodies corporate controlled by and connected entities with the directors (2019: nil).

Save as disclosed in Note 32 to the consolidated financial statement, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director had a material interest, whether directly or indirectly, subsisted at December 31, 2020 or at any time during the year ended December 31, 2020 (2019: nil).

There was no arrangement under which a director waived or agreed to waive any emoluments during the year ended December 31, 2020 (2019: nil).

There were no amounts paid/payable to directors as an inducement to join or upon joining the Group during the year ended December 31, 2020 (2019: nil).

There was no compensation paid/payable to directors or past Directors for the loss of office as a director or for the loss of any other office in connection with the management of the affairs of the Company and its subsidiaries during the year ended December 31, 2020 (2019: nil).

There were no other emoluments paid/payable to the INED during the year ended December 31, 2020 (2019: nil).

10 FINANCE (COSTS)/INCOME, NET

	Year ended December 31,	
	2020	2019
	HK$'000	HK$'000
Finance income		
– Interest income	**76**	621
Finance costs		
– Interest expense on lease liabilities	**(277)**	(227)
– Imputed interest expense on loan from government	**(37)**	—
	(314)	(227)
Finance (costs)/income, net	**(238)**	394

11 INCOME TAX CREDIT/(EXPENSE)

Canadian corporate income tax has been provided at the rate of 26.5% for the year ended December 31, 2020 (2019: 26.5%) on the Group's respective taxable income. United States federal income tax has been provided at the rate of 21% for the year ended December 31, 2020 (2019: 21%) on the Group's respective taxable (loss)/income and the United States state and city tax has been calculated on the estimated assessable profit at 11.8% for the year ended December 31, 2020 (2019: 11.8%).

	Year ended December 31,	
	2020	2019
	HK$'000	HK$'000
Current income tax		
– Canadian corporate income tax	**1,770**	(3,814)
– United States federal income tax	**(137)**	(281)
– United States state and city income tax	**(83)**	(220)
– Under provision in prior years	**(83)**	(82)
Deferred income tax (Note 21)	**4,588**	(371)
Income tax credit/(expense)	**6,055**	(4,768)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX CREDIT/(EXPENSE) *(CONTINUED)*

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

	Year ended December 31,	
	2020	2019
	HK$'000	HK$'000
(Loss)/profit before income tax	**(54,116)**	15,515
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(16,164)**	4,517
Income not subject to tax	**(472)**	(80)
Expenses not deductible for tax purposes	**75**	249
Under provision in prior years	**83**	82
Temporary difference not recognised	**391**	—
Tax losses not recognised	**2,502**	—
Derecognition of deferred income tax assets	**7,530**	—
Income tax (credit)/expense	**(6,055)**	4,768

12 (LOSSES)/EARNINGS PER SHARE

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods stated in note 23.

	Year ended December 31,	
	2020	2019
(Loss)/profit attributable to owners of the Company (HK$'000)	**(48,061)**	10,747
Weighted average number of ordinary shares in issue (Number of shares in thousand)	**1,200,000**	1,200,000
Basic and diluted (losses)/earnings per shares (HK Cents)	**(4.0)**	0.9

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 losses per share. For the years ended December 31, 2020 and 2019, the Group has no dilutive potential ordinary shares.

13 DIVIDEND

The directors of the Company do not recommend the payment of a final dividend in respect of the year ended December 31, 2020.

On March 31, 2020, the Board resolved to propose a final dividend in respect of the year ended December 31, 2019 of 0.54 HK cents per share, amounting to a total dividend of approximately HK$6,480,000. The dividend was fully settled during the year ended December 31, 2020.

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Computer equipment HK$'000	Total HK$'000
Year ended December 31, 2019				
Cost				
As at January 1, 2019	6,074	2,351	4,646	13,071
Additions	1,321	71	624	2,016
Exchange differences	291	106	216	613
As at December 31, 2019	7,686	2,528	5,486	15,700
Accumulated depreciation				
As at January 1, 2019	1,639	1,602	4,011	7,252
Charge for the year	1,374	243	528	2,145
Exchange differences	94	75	187	356
As at December 31, 2019	3,107	1,920	4,726	9,753
Net book amount	4,579	608	760	5,947

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Computer equipment HK$'000	Total HK$'000
Year ended December 31, 2020				
Cost				
As at January 1, 2020	7,686	2,528	5,486	15,700
Additions	—	166	478	644
Exchange differences	119	47	112	278
As at December 31, 2020	7,805	2,741	6,076	16,622
Accumulated depreciation				
As at January 1, 2020	3,107	1,920	4,726	9,753
Charge for the year	1,341	262	478	2,081
Provision for impairment	420	67	100	587
Exchange differences	118	44	99	261
As at December 31, 2020	4,986	2,293	5,403	12,682
Net book amount	2,819	448	673	3,940

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

	Year ended December 31,	
	2020 HK$'000	2019 HK$'000
Selling expenses	1,621	1,725
Administrative expenses	460	420
	2,081	2,145

15 INTANGIBLE ASSETS

	Computer software HK$'000
Year ended December 31, 2019	
Cost	
As at January 1, 2019	11,144
Additions	2,867
Exchange differences	541
As at December 31, 2019	14,552
Accumulated amortisation	
As at January 1, 2019	6,231
Charge for the year	3,076
Exchange differences	325
As at December 31, 2019	9,632
Net book amount	4,920
Year ended December 31, 2020	
Cost	
As at January 1, 2020	**14,552**
Additions	**10**
Exchange differences	**226**
As at December 31, 2020	**14,788**
Accumulated amortisation	
As at January 1, 2020	**9,632**
Charge for the year	**2,538**
Provision for impairment	**309**
Exchange differences	**282**
As at December 31, 2020	**12,761**
Net book amount	**2,027**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS *(CONTINUED)*

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

	Year ended December 31,	
	2020	2019
	HK$'000	HK$'000
Selling expenses	**1,977**	2,473
Administrative expenses	**561**	603
	2,538	3,076

16 INTERESTS IN JOINT VENTURES

As at December 31, 2019 and 2020, the Company had the following principal joint venture:

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

(a) Share of net assets of joint ventures

	Year ended December 31,	
	2020	2019
	HK$'000	HK$'000
Beginning of year	**11,192**	12,332
Share of net loss of joint ventures	**(511)**	(1,140)
End of year	**10,681**	11,192

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

16 INTERESTS IN JOINT VENTURES *(CONTINUED)*

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

Summarised the statement of financial position

	As at December 31, 2020 HK$'000	As at December 31, 2019 HK$'000
Assets		
Interests in a joint ventures	–	–
Current assets		
Cash and cash equivalents	7,060	5,794
Prepayment	9	9
Financial assets at FVTPL	14,411	16,699
	21,480	22,502
Total assets	21,480	22,502
Liabilities		
Current liabilities		
Other current liabilities	118	117
Total liabilities	118	117
Net assets	21,362	22,385
Group share in %	50%	50%
Group share in net assets	10,681	11,192

Summarised statement of comprehensive income

	For the year ended December 31, 2020 HK$'000	For the year ended December 31, 2019 HK$'000
Other income and other (losses)/gains, net	(737)	(1,421)
Administrative expenses	(285)	(561)
Share of net losses from a joint venture	–	(298)
	(1,022)	(2,280)
Income tax credit	–	–
Loss after tax	(1,022)	(2,280)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables HK$'000	Financial assets measured at FVTPL HK$'000	Financial asset measured at FVTOCI HK$'000	Total HK$'000
Assets as per consolidated statement of financial position				
As at December 31, 2020				
Trade receivables	4,183	—	—	4,183
Deposits and other receivables	46,091	—	—	46,091
Cash and cash equivalents	30,095	—	—	30,095
Financial assets at FVTPL	—	7,383	—	7,383
Financial asset at FVTOCI	—	—	3,774	3,774
Total	80,369	7,383	3,774	91,526

	Loans and receivables HK$'000	Financial assets measured at FVTPL HK$'000	Financial asset measured at FVTOCI HK$'000	Total HK$'000
Assets as per consolidated statement of financial position				
As at December 31, 2019				
Trade receivables	15,727	—	—	15,727
Deposits and other receivables	89,322	—	—	89,322
Cash and cash equivalents	71,579	—	—	71,579
Financial assets at FVTPL	—	16,695	—	16,695
Financial asset at FVTOCI	—	—	2,359	2,359
Total	176,628	16,695	2,359	195,682

17 FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

	Liabilities measured at amortised cost HK$'000
As at December 31, 2020	
Trade payables	184
Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses)	15,178
Loan from government	2,666
Lease liabilities	4,971
Total	22,999
As at December 31, 2019	
Trade payables	34
Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses)	71,424
Lease liabilities	7,414
Total	78,872

18 TRADE RECEIVABLES

	As at December 31, 2020 HK$'000	As at December 31, 2019 HK$'000
Incentive commission receivables	3,620	13,158
Less: ECLs allowance	(520)	—
	3,100	13,158
Other trade receivables	1,193	2,569
Less: ECLs allowance	(110)	—
	1,083	2,569
	4,183	15,727

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 TRADE RECEIVABLES *(CONTINUED)*

The aging analysis of trade receivables (net of ECLs allowance) based on initiation date is as follows:

	As at December 31, 2020 HK$'000	As at December 31, 2019 HK$'000
0 to 60 days	3,838	15,609
Over 60 days	345	118
	4,183	15,727

As at December 31, 2020, the trade receivables of HK$345,000 (2019: HK$118,000) was past due but not impaired. These primarily represent incentive commission receivables from airlines and based on past experience, the amounts can be recovered.

The aging analysis of these trade receivables (net of ECLs allowance), based on due date, is as follows:

	As at December 31,	
	2020 HK$'000	2019 HK$'000
Not overdue	3,838	15,609
1-90 days	307	—
91-180 days	38	—
Over 180 days	—	118
	4,183	15,727

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

	As at December 31,	
	2020 HK$'000	2019 HK$'000
CAD	3,518	12,568
USD	65	3,159
	4,183	15,727

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

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31,	
	2020	2019
	HK$'000	HK$'000
Rental and other deposits	**1,259**	1,398
Prepaid expenses	**1,087**	1,901
Prepaid tour and air ticket costs	**2,028**	2,188
Receivables from travel companies for ticket costs	**93,666**	86,014
Other receivables	**1,661**	1,910
	99,701	93,411
Less: ECLs allowance	**(50,495)**	—
	49,206	93,411

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

	As at December 31,	
	2020	2019
	HK$'000	HK$'000
CAD	**22,642**	43,984
USD	**23,436**	45,326
Others	**13**	12
	46,091	89,322

20 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2020	2019
	HK$'000	HK$'000
Cash on hand	**5**	22
Cash at banks	**30,090**	71,557
	30,095	71,579

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 CASH AND CASH EQUIVALENTS *(CONTINUED)*

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

	As at December 31,	
	2020	2019
	HK$'000	HK$'000
CAD	**7,696**	39,641
USD	**5,667**	16,220
HKD	**16,695**	15,683
Others	**37**	35
	30,095	71,579

21 DEFERRED INCOME TAX

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

	As at December 31,	
	2020	2019
	HK$'000	HK$'000
Deferred income tax assets	**22,052**	17,678
Deferred income tax liabilities	**(638)**	(1,138)

21 DEFERRED INCOME TAX *(CONTINUED)*

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

Deferred income tax assets

	2020 HK$'000	2019 HK$'000
Tax losses		
At January 1	17,678	17,607
Charged to the profit or loss (Note 11)	(3,506)	71
Derecognition of deferred income tax assets (Note 11)	(7,530)	—
At December 31	6,642	17,678

	2020 HK$'000	2019 HK$'000
ECLs allowance and other deductible temporary differences		
At January 1	—	—
Credited to the profit or loss (Note 11)	15,131	—
Exchange differences	279	—
At December 31	15,410	—

The Group has US state tax losses in the amount of HK$711,000 (2019: HK$892,000) for the years ended December 31, 2020 and also US city tax losses which are available for offsetting against future taxable profit of the company in which the losses arose. These tax losses expire by December 31, 2030 and are subject to further approval by the relevant tax authority. The Group has capital gain tax losses in Canada of HK$349,000 (2019: HK$343,000) for the years ended December 31, 2020, with no expiry dates. All the deferred tax assets resulting from tax losses during the year have been recognised.

Deferred income tax assets are recognised for unused tax losses carried forward to the extent it is probable that future taxable profit will be available against which the unused tax losses can be utilised, based on all available evidence.

Deferred income tax liabilities

	2020 HK$'000	2019 HK$'000
Accelerate tax depreciation		
At January 1	(1,138)	(696)
Credited/(charged) to the profit or loss (Note 11)	493	(442)
Exchange differences	7	—
At December 31	(638)	(1,138)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 FINANCIAL ASSETS AT FVTPL/FVTOCI

		As at December 31, 2020 HK$'000	As at December 31, 2019 HK$'000
Non-current assets	Note		
Financial assets at FVTPL			
Government Bond	(i)	**1,507**	1,395
Financial asset at FVTOCI			
Unlisted equity investment	(ii)	**3,774**	2,359
Current assets			
Financial assets at FVTPL			
Listed equity securities	(iii)	**3,445**	15,300
Investment fund	(iv)	**2,431**	—
		5,876	15,300

Notes

(i) It represents a government bond issued by the Canadian government. The carrying value of the government bond issued by the Canadian government was CAD250,000 (equivalent to approximately HK$1,523,000) as at December 31, 2020 (2019: CAD250,000). The interest rate for the bond is 1.8% per annum with a maturity date of March 21, 2023. Fair value gain on the government bond of HK$86,000 was recognised in "other gain, net" for the year ended December 31, 2020 (2019: nil).

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

(ii) The unlisted equity investment measured at FVTOCI was acquired in June 2019. The directors of the Company classified the investment as financial asset at FVTOCI while the investment represented 1.9% of the equity interests and it was held for long term strategic gains and not for trading. The fair value of the unlisted equity investment is a level 3 recurring fair value measurement. The fair value is measured by reference to a valuation report issued by an independent valuation expert with discounted cash flow approach (note 3.3(b)). Fair value gain on the unlisted equity investment of HK$1,307,000 was recognised in other comprehensive income for the year ended December 31, 2020 (2019: fair value loss of HK$639,000).

(iii) The investments represent listed equity securities investments that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of listed securities traded in an active market were based on market prices at the end of reporting period. Fair value gain on the listed equity securities of HK$479,000 was recognised in "other gain, net" for the year ended December 31, 2020 (2019: HK$750,000).

(iv) The investment fund measured at FVTPL was acquired by the Group in December 2020 represent a private fund that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair value of the investment fund was based on the net assets value of the fund of which the portion entitled by the Group. The net assets value of the fund was largely determined by the market prices of the listed shares and listed debt instruments held by the fund at the end of reporting period. Fair value gain on the fund of HK$105,000 was recognised in "other gain, net" for the year ended December 31, 2020 (2019: nil).

23 SHARE CAPITAL AND OTHER RESERVE

(a) Share capital

	Number of ordinary shares ('000)	Nominal value of ordinary shares HK$'000
Authorised:		
Ordinary shares of HK$0.0001 each		
As at January 1, 2019, and December 31, 2019 and 2020	90,000,000	9,000
Issued and fully paid:		
As at January 1, 2019	900,000	90
Issue of shares pursuant to the Share Offer (i)	300,000	30
As at December 31, 2019 and 2020	1,200,000	120

Note:

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

(b) Other reserve

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

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

(c) Financial asset at FVTOCI reserve

Financial asset at FVTOCI reserve comprises the cumulative net change in fair value of unlisted equity investments held at the end of the reporting period and is dealt with in accordance with the accounting policies in note 2.26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 TRADE PAYABLES

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

	As at December 31, 2020 HK$'000	As at December 31, 2019 HK$'000
0 to 30 days	**33**	24
31 to 60 days	**5**	10
Over 60 days	**146**	—
	184	34

The carrying amounts of the trade payables approximate their fair values as at December 31, 2020 and 2019 and are all denominated in CAD.

25 ACCRUALS AND OTHER PAYABLES AND CONTRACT LIABILITIES

(a) Accruals and other payables

	As at December 31, 2020 HK$'000	As at December 31, 2019 HK$'000
Accrued staff costs and management fees	**332**	398
Accrued expenses	**2,906**	5,730
Payables to airlines (Note)	**2,381**	29,936
Receipt in advance from a customer in relation to travel business process management	**4,267**	27,944
Sales tax payable	**267**	1,446
Payables to travel companies	**1,223**	2,980
Other payables	**4,401**	4,834
	15,777	73,268

Note:

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

25 ACCRUALS AND OTHER PAYABLES AND CONTRACT LIABILITIES *(CONTINUED)*

(a) Accruals and other payables *(continued)*

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

	As at December 31,	
	2020	2019
	HK$'000	HK$'000
CAD	**11,335**	62,679
USD	**1,455**	8,063
HKD	**2,387**	682
	15,177	71,424

(b) Contract liabilities

	As at December 31,	
	2020	2019
	HK$'000	HK$'000
Contract liabilities arising from sale of travel products and services	**1,359**	3,574
	1,359	3,574

Certain deposits the Group received from the sale of travel products and services remain as a contract liability until such time as the work completed to date outweighs it.

The movements in contract liabilities are as follow:

	2020	2019
	HK$'000	HK$'000
Balance as at January 1	**3,574**	3,958
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of year	**(3,574)**	(3,958)
Increase in contract liabilities as a result of billing in advance	**1,359**	3,574
Balance as at December 31	**1,359**	3,574

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 BANKING FACILITIES

As at December 31, 2020, the Group had banking facilities which are secured by a guarantee from a Canadian Crown corporation, an enterprise wholly owned by the Government of Canada, in the amount of HK$7,805,000 (2019: HK$66,038,000). Another banking facility available in the form of a demand revolving loan was terminated during the year (2019: HK$17,989,000).

The Group did not draw down any borrowing from the banking facilities and was in compliance with all banking covenants as at December 31, 2020 and 2019.

27 LEASES

Nature of leasing activities (in the capacity as lessee)

The Group leases a number of properties in the jurisdictions from which it operates. The periodic rent of all property leases is fixed over the lease term.

RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	December 31, 2020 HK$'000	December 31, 2019 HK$'000
Other equipment and properties leased for own use, carried at depreciated cost		
Office equipment, carried at depreciated cost	**7**	16
Office premises, carried at depreciated cost	**3,888**	7,236
Total	**3,895**	7,252

27 LEASES *(CONTINUED)*

Nature of leasing activities (in the capacity as lessee) *(continued)*

RIGHT-OF-USE ASSETS *(continued)*

Reconciliation of right-of-use assets	Office equipment HK$'000	Office premise HK$'000	Total HK$'000
At January 1, 2019	23	4,941	4,964
Additions	—	4,435	4,435
Depreciation	(7)	(2,245)	(2,252)
Exchange differences	—	105	105
At December 31, 2019 and at January 1, 2020	16	7,236	7,252
Depreciation	(7)	(2,739)	(2,746)
Provision for impairment	(1)	(579)	(580)
Exchange differences	(1)	(30)	(31)
At December 31, 2020	7	3,888	3,895

LEASE LIABILITIES

Reconciliation of lease liabilities	Office equipment HK$'000	Office premise HK$'000	Total HK$'000
At January 1, 2019	23	4,941	4,964
Additions	—	4,435	4,435
Written off	—	(147)	(147)
Interest expenses	1	226	227
Repayments	(2)	(2,316)	(2,318)
Exchange differences	—	253	253
At December 31, 2019 and at January 1, 2020	22	7,392	7,414
Interest expenses	—	277	277
Repayments	(8)	(2,700)	(2,708)
Exchange differences	(6)	(6)	(12)
At December 31, 2020	8	4,963	4,971

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 LEASES *(CONTINUED)*

Nature of leasing activities (in the capacity as lessee) *(continued)*

LEASE LIABILITIES *(continued)*

Future lease payments are due as follows:

	Minimum lease payments December 31, 2020 HK$'000	Interest December 31, 2020 HK$'000	Present value December 31, 2020 HK$'000
Not later than one year	1,650	(40)	1,610
Later than one year and not later than two years	752	(52)	700
Later than two years and not later than five years	3,046	(385)	2,661
	5,448	(477)	4,971

	Minimum lease payments December 31, 2019 HK$'000	Interest December 31, 2019 HK$'000	Present value December 31, 2019 HK$'000
Not later than one year	2,806	(287)	2,519
Later than one year and not later than two years	1,761	(175)	1,586
Later than two years and not later than five years	3,604	(295)	3,309
	8,171	(757)	7,414

27 LEASES *(CONTINUED)*

Nature of leasing activities (in the capacity as lessee) *(continued)*

LEASE LIABILITIES *(continued)*

The present value of future lease payments are analysed as:

	2020 HK$'000	2019 HK$'000
Current liabilities	1,610	2,519
Non-current liabilities	3,361	4,895
	4,971	7,414

	2020 HK$'000	2019 HK$'000
Short term lease expense	607	267
Aggregate undiscounted commitments for short term leases	607	267

28 LOAN FROM GOVERNMENT

The maturities of a long term loan from government, based on the scheduled repayment dates set out in the loan agreement is as follow:

	December 31, 2020 HK$'000	December 31, 2019 HK$'000
Repayable within two years	—	—
Repayable after two years but within five years	1,485	—
Repayable after five years	1,181	—
	2,666	—

During the year, the Group obtained a loan from the Government of Canada under the Regional Economic Growth Through Innovation program. As at December 31, 2020, the Group's borrowing were denominated in CAD and no interest bearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 CASH (USED IN)/GENERATED FROM OPERATIONS

	Year ended December 31,	
	2020	2019
	HK$'000	HK$'000
Cash flows from operating activities		
(Loss)/profit before income tax	**(54,116)**	15,515
Adjustments for:		
Depreciation of property, plant and equipment	**2,081**	2,145
Amortisation of intangible assets	**2,538**	3,076
Depreciation of right-of-use assets	**2,746**	2,252
Finance (costs)/income, net	**238**	(394)
Dividends income from listed equity securities	**(1,088)**	(375)
Gain on disposal of listed equity securities	**(2,981)**	—
Fair value change in financial asset at FVTPL	**(670)**	(750)
ECLs allowance on financial assets	**50,068**	—
Impairment loss on non-financial assets	**1,476**	—
Share of net losses of joint ventures	**511**	1,140
Operating cash flows before changes in working capital	**803**	22,609
Changes in working capital:		
Trade receivables	**10,601**	1,282
Prepayments, deposits and other receivables	**(5,980)**	(18,440)
Trade payables	**142**	(1)
Accruals and other payables	**(55,807)**	(30,312)
Contract liabilities	**(2,157)**	(552)
Cash used in operations	**(52,398)**	(25,414)

Significant non-cash transaction

During the year ended December 31, 2020, no significant non-cash transaction made.

During the year ended December 31, 2019, the Group utilised other receivables of approximately HK$1,395,000 (equivalent to CAD250,000) to acquire a government bond which was classified as financial asset at FVTPL.

30 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Loan from government HK$'000	Lease liabilities HK$'000	Total HK$'000
At January 1, 2019	—	—	—
Non-cash changes:			
– Impact upon adoption of IFRS 16	—	4,964	4,964
– Additions		4,435	4,435
– Written off	—	(147)	(147)
– Interest expense	—	227	227
Repayment	—	(2,318)	(2,318)
Foreign exchange adjustments	—	253	253
At December 31, 2019	—	7,414	7,414
Non-cash changes:			
– Imputed interest recognised as other income	(397)	—	(397)
– Interest expense	37	277	314
Proceeds from borrowing	2,894	—	2,894
Repayment of principal elements	—	(2,708)	(2,708)
Repayment of interest elements	—	(277)	(277)
Foreign exchange adjustments	132	265	397
At December 31, 2020	**2,666**	**4,971**	**7,637**

31 CONTINGENT LIABILITIES

From time to time, the Group subjected 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.

Apart from the aforesaid claims, the Group was not involved in any other material litigation or arbitration during the years ended December 31, 2019 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 RELATED PARTY TRANSACTIONS

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

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

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

(a) Transactions with key management personnel

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

	Year ended December 31,	
	2020 HK$'000	2019 HK$'000
Repayment of lease liabilities and interest	**1,250**	1,599

Notes:

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

(b) The right-of-use asset and lease liability of corresponding lease transaction with key management personnel are HK$503,000 (2019: HK$2,073,000) and HK$603,000 (2019: HK$2,117,000) respectively as at December 31, 2020.

(b) Key management compensation

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

	Year ended December 31,	
	2020 HK$'000	2019 HK$'000
Directors' fees, salaries, bonuses and allowances	**5,550**	9,223
Pension costs	**47**	62
	5,597	9,285

33 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

	Notes	As at December 31, 2020 HK$'000	As at December 31, 2019 HK$'000 (Restated) (note ii)	As at January 1, 2019 HK$'000 (Restated) (note ii)
ASSETS				
Non-current assets				
Investment in subsidiaries	34	**181,200**	298,800	540,000
Deferred income tax assets		**6,535**	17,549	17,472
		187,735	316,349	557,472
Current assets				
Prepayment		**172**	295	260
Financial assets at FVTPL		**5,876**	15,300	—
Loan to a subsidiary		**44,000**	44,000	—
Amount due from subsidiaries		**18,452**	15,000	15,000
Cash and cash equivalents		**14,391**	1,644	67,814
		82,891	76,239	83,074
Total assets		**270,626**	392,588	640,546
EQUITY				
Equity attributable to the owners of the Company				
Share capital	23	**120**	120	120
Share premium	(i)	**88,248**	88,248	88,248
Other reserve	(i)	**181,109**	298,709	539,909
Accumulated losses	(i)	**(46,290)**	(34,794)	(28,740)
Total equity		**223,187**	352,283	599,537
Current liabilities				
Amounts due to subsidiaries		**45,051**	39,623	40,823
Other payable		**2,388**	682	186
Total liabilities		**47,439**	40,305	41,009
Total equity and liabilities		**270,626**	392,588	640,546

The statements of financial position of the Company was approved by the Board of Directors on March 31, 2021 and was signed on its behalf.

Mrs. Rita Pik Fong Tsang
Executive Director, Chairperson

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Share premium HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At January 1, 2019				
As previously reported	88,248	539,909	(31,408)	596,749
Prior year adjustment (note ii)	—	—	2,668	2,668
As restated	88,248	539,909	(28,740)	599,417
Comprehensive loss				
Loss for the year (Restated) (note ii)	—	—	(241,734)	(241,734)
Transfer from other reserve	—	(241,200)	241,200	—
Total comprehensive income for the year	—	(241,200)	(534)	(241,734)
Total transactions with owners in their capacity as owners:				
– Dividends paid	—	—	(5,520)	(5,520)
At December 31, 2019	**88,248**	**298,709**	**(34,794)**	**352,163**
At January 1, 2020				
As previously reported	88,248	298,709	(38,602)	348,355
Prior year adjustment (note ii)	—	—	3,808	3,808
As restated	88,248	298,709	(34,794)	352,163
Comprehensive loss				
Loss for the year	—	—	(122,616)	(122,616)
Transfer from other reserve		(117,600)	117,600	—
Total comprehensive income for the year	—	(117,600)	(5,016)	(122,616)
Total transactions with owners in their capacity as owners:				
– Dividends paid	—	—	(6,480)	(6,480)
At December 31, 2020	**88,248**	**181,109**	**(46,290)**	**223,067**

Note (i): Refer to reserve movement of the Company as above.

Note (ii): In prior year ended December 31, 2019, the Group had incorrectly accounted for the amount due from a wholly owned subsidiary, CTEH Ventures Limited, as interest in joint ventures in accordance with IAS 28. During the course of preparation of the consolidated financial statements of the Group for the year ended December 31, 2020, the Group's management had identified this improper accounting treatment and taken corresponding action to correct this error. Accordingly, prior year adjustments have been made on the statement of financial position of the Company as at December 31, 2019 and January 1, 2019 by (i) increasing the amount due from subsidiaries by approximately HK$15,000,000 in both financial years, (ii) decreasing the interest in joint ventures by approximately HK$11,192,000 and approximately HK$12,332,000 as at December 31, 2019 and January 1, 2019 respectively and (iii) decreasing the accumulated losses by approximately HK$3,808,000 and approximately HK$2,668,000 as at December 31, 2019 and January 1, 2019 respectively.

34 INVESTMENT IN SUBSIDIARIES

	As at December 31,		As at January 1,
	2020	2019	2019
	HK$'000	HK$'000	HK$'000
Investment in unlisted shares	**540,000**	540,000	540,000
Less: impairment loss	**(358,800)**	(241,200)	—
Investment in subsidiaries, net	**181,200**	298,800	540,000

As at December 31, 2020 and 2019, the Company had direct and indirect interests in the following principal subsidiaries, which in opinion of the directors, materially affect the results or assets of the Group:

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

35 IMPACT OF THE COVID-19 PANDEMIC

Governments of Canada has implemented various measures which might mitigate some of the impact of the COVID-19 pandemic to the results and liquidity position of the Group. Details of all of the arrangements that might be available and the period throughout which they will remain available are continuing to evolve and remain subject to uncertainty.

The directors of the Company are continuing to assess the implications of COVID-19 pandemic to the business in which the Group operates. Depending on the duration of the COVID-19 pandemic and continued negative impact on economic activity, the Group might incur additional impairments or ECLs allowance on its assets in 2021. However, the exact impact in the remainder of 2021 and thereafter cannot be predicted.

FINANCIAL SUMMARY

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

	Year ended December 31,				
	2020	2019	2018	2017	2016
RESULTS	**HK$('000)**	HK$('000)	HK$('000)	HK$('000)	HK$('000)
Revenue	**51,605**	112,141	149,181	153,862	153,164
Cost of sales	**(28,024)**	(31,792)	(45,493)	(55,714)	(54,025)
Gross profit	**23,581**	80,349	103,688	98,148	99,139
(Loss)/profit before income tax	**(54,116)**	15,515	15,715	17,897	48,062
(Loss)/profit for the year	**(48,061)**	10,747	11,095	12,365	34,998
Adjustments:					
Listing expenses	**–**	–	18,068	19,571	–
Deductible Listing expenses recognised in deferred income tax	**–**	–	(4,788)	(5,186)	–
Adjusted (loss)/profit for the year (Note)	**(48,061)**	10,747	24,375	26,750	34,998

Note: *Adjusted profit for the year refers to profit for the years ended December 31, 2018 and 2017 excluding (i) listing expenses and (ii) deferred income tax impact from the deductible listing expenses recognised in income tax expenses. The adjusted profit is solely for reference and does not include the aforementioned items that impact the profit or loss for the relevant year.*

	As at December 31,				
	2020	2019	2018	2017	2016
ASSETS AND LIABILITIES	**HK$('000)**	HK$('000)	HK$('000)	HK$('000)	HK$('000)
Current assets	**91,584**	201,831	228,426	181,528	159,208
Non-current assets	**47,876**	50,743	40,671	15,831	5,811
Total assets	**139,460**	252,574	269,097	197,359	165,019
Current liabilities	**(18,930)**	(79,395)	(107,512)	(132,069)	(137,165)
Non-current liabilities	**(6,665)**	(6,033)	(696)	(593)	(29,681)
Total liabilities	**(25,595)**	(85,428)	(108,208)	(132,662)	(166,846)
Equity attributable to the owners of the Company	**113,865**	167,146	160,889	64,697	(1,827)