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CTEH INC.
加 達 控 股 有 限 公 司

(incorporated in Ontario, Canada and continued in the Cayman Islands with limited liability)

(Stock Code: 1620)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2019

The board (the "**Board**") of directors (the "**Directors**") of CTEH INC. (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the period ended June 30, 2019 together with the unaudited comparative figures for the corresponding period ended June 30, 2018.

FINANCIAL HIGHLIGHTS

	Six months ended June 30,		
	2019	2018	**Increase/**
	HK$ million	HK$ million	**(decrease)**
	(Unaudited)	(Unaudited)	
Revenue	**57.0**	75.3	(24.3%)
Gross profit	**41.2**	51.0	(19.2%)
Profit for the period	**8.1**	3.1	161.3%
Adjusted profit for the period (note)	**8.1**	15.5	(47.7%)
Basic and diluted earnings per share (HK cents)	**0.7**	0.3	133.3%

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2019

	Notes	Six months ended June 30, 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Revenue	4	**56,952**	75,255
Cost of sales	6	**(15,766)**	(24,217)
Gross profit		**41,186**	51,038
Other gains/(losses), net	5	**1,331**	278
Selling expenses	6	**(8,287)**	(8,306)
Administrative expenses	6	**(22,663)**	(37,912)
Operating profit		**11,567**	5,098
Finance income		**366**	336
Finance costs		**(108)**	(627)
Finance income/(costs), net	7	**258**	(291)
Share of net losses of joint ventures		**(212)**	—
Profit before income tax		**11,613**	4,807
Income tax expense	8	**(3,545)**	(1,674)
Profit for the period		**8,068**	3,133
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss subsequently:			
– Currency translation differences		**1,226**	(2,190)
Other comprehensive income/(loss) for the period, net of tax		**1,226**	(2,190)
Total comprehensive income for the period attributable to owners of the Company		**9,294**	943
Basic and diluted earnings per share (HK cents)	10	**0.7**	0.3

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

	Notes	**As at June 30, 2019 HK$'000 (Unaudited)**	As at December 31, 2018 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**6,331**	5,819
Intangible assets		**4,452**	4,913
Right-of-use assets		**4,402**	—
Investments in joint ventures		**12,120**	12,332
Financial assets at fair value through profit or loss		**1,388**	—
Financial assets at fair value through other comprehensive income		**2,984**	—
Deferred income tax assets		**17,687**	17,607
		49,364	40,671
Current assets			
Trade receivables	11	**12,185**	16,418
Prepayments, deposits and other receivables		**87,157**	73,414
Financial assets at fair value through profit or loss		**16,125**	—
Income tax recoverable		**1,549**	320
Cash and cash equivalents		**121,724**	138,274
		238,740	228,426
Total assets		**288,104**	269,097
EQUITY			
Equity attributable to the owners of the Company			
Share capital	12	**120**	120
Share premium		**88,248**	88,248
Other reserve		**(41,256)**	(41,256)
Exchange reserve		**7,205**	5,979
Retained earnings		**110,346**	107,798
Total equity		**164,663**	160,889

	Notes	As at June 30, 2019 HK$'000 (Unaudited)	As at December 31, 2018 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**723**	696
Lease liabilities		**2,129**	—
		2,852	696
Current liabilities			
Trade payables	13	**341**	35
Accruals and other payables		**114,223**	103,519
Contract liabilities		**3,700**	3,958
Lease liabilities		**2,325**	—
		120,589	107,512
Total liabilities		**123,441**	108,208
Total equity and liabilities		**288,104**	269,097

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

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

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended June 30, 2019 has been prepared in accordance with the International Accounting Standard ("**IAS**") 34, "Interim financial reporting".

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial statement. Accordingly, this annoucement should be read in conjunction with the annual financial statements for the year ended December 31, 2018 which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") and any public announcements made by the Group during the interim reporting period.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

3.1 Adoption of new or revised international financial reporting standards

During the period, the Group has adopted all the new or revised IFRSs issued by International Accounting Standard Board (the "**IASB**") that are relevant to its operations and effective for its accounting period beginning on January 1, 2019.

Except as described below for the IFRS 16, the Directors considered that the application of the other new and revised IFRSs does not have material impact on the Group's current period's condensed consolidated financial statements. "Leases" in IFRS 16 replaces IAS 17 "Leases" and its related interpretations and has been effective for annual periods beginning on or after January 1, 2019. The Group has applied simplified transition approach and has not restated the comparative amounts for the period prior to first adoption.

Upon the adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities and right-of-use assets at the date of initial application for leases which were previously classified as operating leases by applying IAS 17. The lease liabilities were measured at the present value of the remaining lease payments, discounted by the incremental borrowing rate at the date of initial application. The Group elected, on a lease-by-lease basis, to measure those right-of-use assets at amounts equal to the lease liabilities, adjusted by the amounts of any prepaid or accrued lease payments relating to these leases recognised in the statement of consolidated financial position immediately before the date of initial application.

Leases are recognised as a right-of-use asset and a corresponding liability at the date on which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that are calculated based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group has not early applied new or revised IFRSs that have been issued but are not yet effective for the financial period beginning on January 1, 2019. The Directors anticipate that the new or revised IFRSs will be adopted in the Group's unaudited interim condensed consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all the new or revised IFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

3.2 Use of judgements and estimates

In preparing this condensed consolidated interim financial information, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2018 annual financial statements.

4 REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

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

	Six months ended June 30, 2019 (Unaudited)			
	Air ticket distribution HK$'000	**Travel business process management HK$'000**	**Travel products and services HK$'000**	**Total HK$'000**
Revenue from external customers	**35,791**	**13,096**	**8,065**	**56,952**
Timing of revenue recognition				
At a point in time	**35,791**	**13,096**	**—**	**48,887**
Over the time	**—**	**—**	**8,065**	**8,065**
	35,791	**13,096**	**8,065**	**56,952**
Segment results	**16,655**	**7,624**	**1,484**	**25,763**
Other gains, net				**1,331**
Administrative expenses				**(15,527)**
Finance income, net				**258**
Share of net loss of joint ventures				**(212)**
Profit before income tax				**11,613**
Income tax expense				**(3,545)**
Profit for the period				**8,068**
Other segment items:				
Depreciation and amortisation	**808**	**462**	**577**	**1,847**
Capital expenditure	**741**	**422**	**528**	**1,691**
Depreciation of right-of-use assets	**414**	**236**	**295**	**945**

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

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

	Six months ended June 30,	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Company A	**12,768**	12,075

There is no material inter-segment revenue.

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

	Six months ended June 30,	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Canada	**46,640**	63,300
United States	**10,312**	11,955
	56,952	75,255

5 OTHER GAINS/(LOSSES), NET

	Six months ended June 30,	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Other gains/(losses), net		
Foreign exchange (loss)/gain	**(244)**	192
Gain on disposal of property, plant and equipment	**—**	86
Fair value change in financial assets at FVTPL	**1,575**	—
	1,331	278

6 EXPENSES BY NATURE

	Six months ended June 30,	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Cost of packaged tours and tickets	**5,014**	11,722
Employee benefit expenses (including directors' emoluments)	**25,384**	26,624
Office, telecommunication and utility expenses	**2,180**	1,787
Operating lease rental payments	**—**	1,254
Advertising and promotion	**703**	977
Credit card fees	**524**	633
Auditor's remuneration		
– Audit service	**151**	221
– Non-audit service	**88**	116
Depreciation of property, plant and equipment	**1,045**	844
Amortisation of intangible assets	**1,534**	1,050
Depreciation of right-of-use assets	**1,290**	—
Legal and professional fees	**1,179**	32
Service fees	**3,273**	4,601
Listing expenses	**—**	16,881
Others	**4,351**	3,693
Total cost of sales, selling and administrative expenses	**46,716**	70,435

7 FINANCE INCOME/(COSTS), NET

	Six months ended June 30,	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Finance income		
– Interest income	**366**	336
Finance costs		
– Interest expense on bank borrowings	**—**	(627)
– Interest expense on lease liabilities	**(108)**	—
	(108)	(627)
Finance income/(costs), net	**258**	(291)

8 INCOME TAX EXPENSE

Canadian corporate income tax has been provided at the rate of 26.5% for the six months ended June 30, 2019 (2018: 26.5%) on the Group's respective taxable income. United States federal income tax has been provided at the rate of 21% for the six months ended June 30, 2019 (2018: 21%) on the Group's respective taxable income and the United States state and city tax has been calculated on the estimated assessable profit at 8.85% for the six months ended June 30, 2019 (2018: 8.85%).

	Six months ended June 30,	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current income tax		
– Canadian corporate income tax	**1,478**	3,631
– United States federal and state income tax	**2,148**	2,516
Deferred income tax	**(81)**	(4,473)
Income tax expense	**3,545**	1,674

9 DIVIDENDS

A dividend of HK$5,520,000 in respect of the year ended December 31, 2018 was declared and paid in June 2019.

The Board does not recommend the payment of any dividend for the six months ended June 30, 2019 (Six months ended June 30, 2018: Nil).

10 EARNINGS PER SHARE

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

	Six months ended June 30,	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK$'000)	**8,068**	3,133
Weighted average number of ordinary shares in issue (Number of shares in thousand)	**1,200,000**	904,972
Basic and diluted earnings per shares (HK cents)	**0.7**	0.3

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Potential ordinary shares are dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share. During the period ended June 30, 2019 and 2018, the Group has no dilutive potential ordinary shares.

11 TRADE RECEIVABLES

	As at June 30, 2019 HK$'000 (Unaudited)	As at December 31, 2018 HK$'000 (Audited)
Incentive commission receivables	**11,245**	14,378
Other trade receivables	**940**	2,040
	12,185	16,418

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

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

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

	As at June 30, 2019 HK$'000 (Unaudited)	As at December 31, 2018 HK$'000 (Audited)
0 to 60 days	**12,058**	16,304
61 to 120 days	**9**	—
121 to 180 days	**—**	—
181 to 365 days	**118**	114
	12,185	16,418

12 SHARE CAPITAL

	Number of ordinary shares ('000)	Nominal value of ordinary shares HK$'000
Authorised:		
Ordinary shares of HK$0.0001 each		
As at December 31, 2018 (audited) and June 30, 2019 (unaudited)	**90,000,000**	**9,000**
Issued and fully paid:		
Ordinary shares of HK$0.0001 each		
As at December 1, 2018	**900,000**	**90**
Issue of shares pursuant to the Share Offer (Note i)	**300,000**	**30**
As at December 31, 2018 (audited) and June 30, 2019 (unaudited)	**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.

13 TRADE PAYABLES

As at June 30, 2019 and December 31, 2018, the ageing analysis of trade payables based on invoice date are as follows:

	As at June 30, 2019 HK$'000 (Unaudited)	As at December 31, 2018 HK$'000 (Audited)
0 to 30 days	**281**	13
31 to 60 days	**60**	15
61 to 90 days	**—**	7
	341	35

14 BANKING FACILITIES

The Group had banking facilities available in the form of a demand non-revolving loan of HK$17,903,000 as at June 30, 2019. (December 31, 2018: HK$17,222,000)

As at June 30, 2019 and December 31, 2018, the banking facilities were secured by trade and other receivables and cash and cash equivalents of the Group and a security subordination agreement in favour of one of the banks.

The banking facilities are also secured by a guarantee from a Canadian Crown corporation, an enterprise wholly owned by the Government of Canada, in the amount of HK$65,723,000 as at June 30, 2019 (December 31, 2018: HK$63,223,000).

The Group has an unutilised demand non-revolving loan facility of HK$17,903,000 as at June 30, 2019 (December 31, 2018: HK$17,222,000).

The Group was in compliance with all banking covenants as at June 30, 2019 and December 31, 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a long-established air ticket consolidator, travel business process management provider and travel products and services provider in Canada, founded in 1976 and with more than 40 years of operating history. The principal businesses of the Group include (i) air ticket distribution in which it distributes air tickets to travel agents and travelers and issue air tickets directly on behalf of contracted airlines; (ii) travel business process management in which it provides mid-office and back-office support services to travel agents; and (iii) travel products and services in which it designs, develops and sells package tours, as well as other travel products and services to travel agents and travelers. The shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on June 28, 2018.

The first half of 2019 is challenging marked by continuous escalation of China-US economic and trade frictions. The current economic uncertainty which is expected to continue during the rest of 2019 affected the Group's revenue led to a corresponding significant decrease in gross profit. The total revenue of the Group decreased by approximately 24.3% from HK$75.3 million for the six months ended June 30, 2018 to HK$57.0 million for the six months ended June 30, 2019, which was mainly due to lower revenue generated from air ticket distribution and travel products and services segments. Excluding the non-recurring listing expenses and respective deferred income tax impact, the Group's adjusted profit for the year decreased by approximately 47.7% from HK$15.5 million for the six months ended June 30, 2018 to HK$8.1 million for the six months ended June 30, 2019. However, the overall gross profit margin increased by approximately 4.5% from 67.8% for the period ended June 30, 2018 to 72.3% for the period ended June 30, 2019 due to the increase in the gross profit margin across all three business segments.

Air Ticket Distribution

Air ticket distribution business segment continued to be the largest revenue contributor of the Group. Segment revenue was down by approximately 26.8%, from HK$48.9 million for the six months ended June 30, 2018 to HK$35.8 million for the six months ended June 30, 2019, and accounted for approximately 62.8% of the total revenue of the Group. 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 between North America and Asia due to the trade war between the United States and China. 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 June 30, 2019, 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 2.3%, from HK$12.8 million for the six months ended June 30, 2018 to HK$13.1 million for the six months ended June 30, 2019, and accounted for approximately 23.0% 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 period ended June 30, 2019, the Group had been providing travel business process management services to nine travel agents which include some of well-known global brands.

Travel Products and Services

The Group continued to offer package tours and other travel products and services to more than 200 cities in over 40 countries in Asia, Europe, Middle East, North America and South American to its customers. Segment revenue generated from travel products and services decreased by approximately 40.0%, from HK$13.5 million for the six months ended June 30, 2018 to HK$8.1 million for the six months ended June 30, 2019, and accounted for approximately 14.2% of the total revenue of the Group. Such decrease was mainly due to decreased sales volume of package tours.

FUTURE PROSPECT

Looking forward, the trade war between China and the United States may further gloom the global economy and financial markets, the Group will closely monitor the trend of the global environment and maintain pragmatic approach for its businesses.

Air Ticket Distribution

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

Travel Business Process Management

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

Travel Products and Services

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

FINANCIAL REVIEW

REVENUE

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

	For the six months ended			
	2019		2018	
	HK$'000	**%**	HK$'000	%
	(unaudited)	**(unaudited)**	(unaudited)	(unaudited)
Air ticket distribution	**35,791**	**62.8%**	48,920	65.0%
Travel business process management	**13,096**	**23.0%**	12,822	17.0%
Travel products and services	**8,065**	**14.2%**	13,513	18.0%
Total	**56,952**	**100.0%**	75,255	100.0%

The Group's revenue decreased by approximately HK$18.3 million or approximately 24.3%, from approximately HK$75.3 million for the period ended June 30, 2018 to HK$57.0 million for the period ended June 30, 2019. Such decrease was mainly attributable to lower revenue generated from air ticket distribution and travel products and services segment.

Air Ticket Distribution

The revenue from air ticket distribution segment decreased by approximately HK$13.1 million, or approximately 26.8%, from approximately HK$48.9 million for the period ended June 30, 2018 to approximately HK$35.8 million for the period ended June 30, 2019. 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 between North America and Asia due to the trade war between the United States and China.

Travel Business Process Management

The revenue from travel business process management segment increased by approximately HK$0.3 million or approximately 2.3%, from approximately HK$12.8 million for the period ended June 30, 2018 to approximately HK$13.1 million for the period ended June 30, 2019. The revenue from travel business process management segment remained relatively stable during the period.

Travel Products and Services

The revenue from travel products and services segment decreased by HK$5.4 million or approximately 40.0%, from HK$13.5 million for the period ended June 30, 2018 to HK$8.1 million for the period ended June 30, 2019. Such decrease was mainly attributable to the decreased sales volume of package tours.

GROSS PROFIT AND GROSS PROFIT MARGIN

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

	For the six months ended			
	2019		2018	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	HK$'000	**%**	HK$'000	%
	(unaudited)	**(unaudited)**	(unaudited)	(unaudited)
Air ticket distribution	**28,777**	**80.4%**	38,748	79.2%
Travel business process management	**9,358**	**71.5%**	9,029	70.4%
Travel products and services	**3,051**	**37.8%**	3,261	24.1%
Total	**41,186**	**72.3%**	51,038	67.8%

The gross profit decreased by approximately HK$9.8 million or approximately 19.2%, from approximately HK$51.0 million for the period ended June 30, 2018 to HK$41.2 million for the period ended June 30, 2019.

The overall gross profit margin increased by approximately 4.5%, from approximately 67.8% for the period ended June 30, 2018 to approximately 72.3% for the period ended June 30, 2019, which was due to the increase in the gross profit margin across all three business segments.

Air Ticket Distribution

The gross profit attributable to air ticket distribution segment decreased by approximately HK$9.9 million, or approximately 25.6%, from HK$38.7 million for the period ended June 30, 2018 to HK$28.8 million for the period ended June 30, 2019. The gross profit margin for air ticket distribution segment increased by approximately 1.2% from approximately 79.2% for the period ended June 30, 2018 to approximately 80.4% for the period ended June 30, 2019, which was primarily attributable to a greater proportional increase in the business segment revenue than in the business segment cost of sales.

Travel Business Process Management

The gross profit attributable to travel business process management segment increased by approximately HK$0.4 million, or approximately 4.4%, from approximately HK$9.0 million for the period ended June 30, 2018 to HK$9.4 million for the period ended June 30, 2019. The gross profit margin for travel business process management segment slightly increased by approximately 1.1% from approximately 70.4% for the period ended June 30, 2018 to approximately 71.5% for the period ended June 30, 2019, which was mainly due to the combined effect of (i) increased in revenue from travel business process management; and (ii) staff costs remained at similar level as the period ended June 30, 2018 in order to maintain the workforce for operation.

Travel Products and Services

The gross profit attributable to travel products and services segment decreased by approximately HK$0.2 million or approximately 6.1%, from approximately HK$3.3 million for the period ended June 30, 2018 to HK$3.1 million for the period ended June 30, 2019. The gross profit margin for travel products and services segment increased by approximately 13.7% from approximately 24.1% for the period ended June 30, 2018 to approximately 37.8% for the period ended June 30, 2019, which was primarily attributable to considerable increase in the revenue of other travel products and services.

Selling Expenses

The selling expenses remained relatively stable at approximately HK$8.3 million for the period ended June 30, 2019 and 2018.

Administrative Expenses

The administrative expenses decreased by approximately HK$15.2 million or approximately 40.1%, from HK$37.9 million for the period ended June 30, 2018 to HK$22.7 million for the period ended June 30, 2019, which was mainly due to the decrease in non-recurring listing expenses incurred in the period ended June 30, 2018 partially offset by the increase in legal and professional fees incurred following the listing.

Profit for the Period

As a result of the cumulative effect of the foregoing, profit of the Group increased by approximately HK$5.0 million or approximately 161.3%, from approximately HK$3.1 million for the period ended June 30, 2018 to HK$8.1 million for the period ended June 30, 2019.

Excluding the non-recurring listing expenses and deferred income tax impact, the Group's adjusted profit decreased by approximately HK$7.4 million of approximately 47.7% from approximately HK$15.5 million for the period ended June 30, 2018 to approximately HK$ 8.1 million for the period ended June, 30, 2019.

FINANCIAL RESOURCES AND LIQUIDITY

During the period ended June 30, 2019, the Group's primary source of funding included its own working capital, the net proceeds from the listing and the credit facilities provided by the Group's principal bank in Canada.

Net cash generated from operating activities was HK$11.2 million in 2019, as compared with net cash generated used in operating activities of HK$1.2 million in 2018 net cash used in investing activities was HK$19.3 million in 2019, as compared with net cash generated from investing activities of HK$43.0 million in 2018, respectively. Net cash used in financing activities in 2019 was HK$5.5 million, as compared with net cash generated from financing activities of HK$56.5 million in 2018.

As at June 30, 2019, the Group's cash and cash equivalents amounted to HK$121.7 million, representing a decrease of approximately 12.0% from HK$138.3 million as at December 31, 2018.

The Group's gearing ratio is calculated based on total debt divided by the shareholders' equity at the end of the financial period and multiplied by 100%. As at June 30, 2019, the Group recorded a net cash position and its gearing ratio is zero. Taking into consideration of the Group's current bank balances and cash, together with the credit facilities available and the expected cash flow from operations, it is anticipated that the Company should have adequate financial resources to meet its ongoing operating and development requirements.

Net current assets

As at June 30, 2019, the Group had net current assets of HK$118.2 million as compared with net current assets of HK$120.9 million as at December 31, 2018.

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 announcement.

FOREIGN EXCHANGE RISKS

The Group has foreign currency exposures that mainly arise from the balance of assets and liabilities in currencies other than in Canadian dollar, the Group's functional currency. The Group's policy requires the management to control the Group's foreign exchange risk to an acceptable level by ensuring that the Group is able to obtain sufficient amount of USD at acceptable exchange rate for meeting the payment obligations arising from business operations. A net foreign exchange gain of approximately HK$0.2 million was recorded for both the periods ended June 30, 2019 and 2018.

During the period ended June 30, 2019, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2019, the Group had a total of 135 employees as compared with 136 employees as at December 31, 2018, of which 132 were in Canada and three were in the United States of America. The total staff costs incurred by the Group for the period ended June 30, 2019 were approximately HK$25.4 million as compared with approximately HK$26.6 million for the period ended June 30, 2018. The Group will regularly review its remuneration policy and the benefits to its employees with reference to market practice and the performance of individual employees.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENTS

On May 28, 2019, the Company subscribed for the allocated shares at the offer price at $1.94 per shares in the initial public offering on the Stock Exchange of Xinyi Energy Holdings Limited of 7,500,000 shares with total consideration of HK$14,550,000.00 exclusive of the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable in connection with the transaction. After due and careful consideration of the information relating to Xinyi Energy Holdings Limited including its business model, financial information and business prospects as set out in the prospectus of Xinyi Energy Holdings Limited, the Company considers that Xinyi Energy Holdings Limited can achieve long-term development and the Transaction is an attractive investment which would generate potential investment returns for the Group.

Save for the above, no other material acquisition and disposal of subsidiaries and affiliated companies were conducted by the Group for the period ended June 30, 2019.

PLEDGE OF ASSETS

As of June 30, 2019, the Group had government bond issued by the Canadian government of approximately HK$1.4 million (December 31, 2018: Nil). The bond is held as a security pledge for the operating permits required under the Quebec Travel Agents Act by the OPC. The interest rate for the bond is 1.8% with a maturity date of March 21, 2023.

CONTINGENT LIABILITIES

As at June 30, 2019, the Group did not have any material contingent liabilities or guarantees.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have plans for material investments and capital assets as at June 30, 2019.

USE OF PROCEEDS FROM THE LISTING

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

An analysis of the utilization of the net proceeds from the listing date up to June 30, 2019 is set out below:

Use of net proceeds	Net proceeds from the Share Offer HK$ million	Actual utilization up to June 30, 2019 HK$ million	Unutilized amounts as at December 31, 2018 HK$ million
Repayment of bank borrowings	21.5	21.5	—
Expansion of air ticket distribution business	13.4	—	13.4
Upgrade the information technology infrastructure	6.7	1.7	5.0
Expansion the travel business process management business	6.9	0.9	6.0
Advertising and promotion	1.2	0.3	0.9
	49.7	24.4	25.3

INTERIM DIVIDENDS

The Board resolved not to declare any payment of an interim dividend for the period ended June 30, 2019.

The proposed final dividend of 0.46 HK cents per ordinary share of the Company issued for the year ended December 31, 2018 was declared payable and approved by the shareholders at the annual general meeting of the Company on May 28, 2019.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**"). The Company has fully complied with the code provisions set out in the CG Code contained in Appendix 14 the Listing Rules during the period ended June 30, 2019 and thereafter up to the date of this announcement. The Board will continue to review and monitor the corporate governance status of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"). 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 six months ended June 30, 2019 and thereafter up to the date of this announcement.

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

AUDIT COMMITTEE

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

The unaudited interim results and financial report of the Group for the period ended June 30, 2019 has been reviewed by the audit committee and the audit committee is of the view that the interim result for the period ended June 30, 2019 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosure have been duly made.

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

During the period ended June 30, 2019 and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of both the Stock Exchange (http://www.hkexnews.hk) and the company website (http://www.toureast.com). An interim report of the Company for the period ended June 30, 2019 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

By order of the Board
CTEH INC.
Mrs. Rita Pik Fong Tsang
Chairperson and executive Director

Hong Kong, August 28, 2019

As at the date of this announcement, the executive Directors are Mrs. Rita Pik Fong Tsang and Ms. Annie Shuk Fong Tsu, the non-executive Director is Dr. Kwok Chun Dennis Chu, and the independent non-executive Directors are Dr. Michael Edward Ricco, Mrs. Kitty Yuk Yee Yeung and Mr. Sik Yuen Lau.