



WWPKG Holdings Company Limited
縱橫遊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8069

2019/2020

First Quarterly Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Yuen Sze Keung (*Chairman*)
Ms. Chan Suk Mei
Mr. Yuen Chun Ning (*Chief Executive Officer*)

Independent Non-executive Directors:

Mr. Ho Wing Huen
Mr. Lam Yiu Kin
Mr. Yen Yuen Ho Tony

AUDIT COMMITTEE

Mr. Lam Yiu Kin (*Chairman*)
Mr. Ho Wing Huen
Mr. Yen Yuen Ho Tony

REMUNERATION COMMITTEE

Mr. Yen Yuen Ho Tony (*Chairman*)
Mr. Ho Wing Huen
Mr. Lam Yiu Kin
Mr. Yuen Sze Keung

NOMINATION COMMITTEE

Mr. Ho Wing Huen (*Chairman*)
Mr. Lam Yiu Kin
Mr. Yen Yuen Ho Tony
Mr. Yuen Sze Keung

COMPANY SECRETARY

Ms. Ng Ka Man, *ACS, ACIS*

COMPLIANCE OFFICER

Mr. Yuen Chun Ning

AUTHORISED REPRESENTATIVES

Mr. Yuen Sze Keung
Mr. Yuen Chun Ning

REGISTERED OFFICE

P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 706-8, 7/F., Lippo Sun Plaza
28 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricolor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

Fairbairn Catley Low & Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

STOCK CODE

8069

COMPANY'S WEBSITE

<http://www.wwwpkg.com.hk>

MANAGEMENT DISCUSSION AND ANALYSIS

The board of Directors of the Company (the “Board”) hereby presents the unaudited first quarterly financial results of the Group for the three months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018, as set out below.

BUSINESS REVIEW

Founded in 1979, the Group is one of the long-established and well-known travel agents in Hong Kong. The Group’s businesses include the design, development and sales of outbound package tours, the sales of air tickets and/or hotel accommodations (the “FIT products”) and the sales of ancillary travel related products and services (collectively, the “Travel Related Products and Services”) and investments in tourism and travel technology related businesses (the “Tourism and Travel Technology Investments”). The Group markets its Travel Related Products and Services under the brand “縱橫遊 WWPKG”. Its major Travel Related Products and Services are the provision of outbound package tours to various destinations with particular focus on Japan-bound tours.

The Group’s loss before income tax decreased substantially by HK\$6.0 million from HK\$9.2 million for the three months ended 30 June 2018 to HK\$3.2 million for the three months ended 30 June 2019. The improvement in the Group’s loss position was mainly attributable to the increase in gross profit as a result of the following:

- the Group launched certain relatively low-priced package tours with lower profit margins that were supported by charter flights destined for Kumamoto in Japan between November 2017 and October 2018;
- the change in the Group’s strategy in connection with charter flights and block reservations with airline suppliers for all destinations reduced the amount of forfeiture incurred on flights operated for the three months ended 30 June 2019 by more than HK\$4.0 million as compared to the corresponding period in 2018; and
- as a result of the above-mentioned change in the Group’s strategy in connection with charter flights and block reservations, the Group faced less pricing pressure and was able to improve its package tours’ gross profit margin despite the decrease in revenue and number of tour participants.

FINANCIAL REVIEW

Revenue and gross profit

The following table sets out the Group's revenue and gross profit by major category of Travel Related Products and Services:

	Three months ended 30 June					
	2019			2018		
	Revenue HK\$'million	Gross profit HK\$'million	Gross profit margin %	Revenue HK\$'million	Gross profit HK\$'million	Gross profit margin %
Package tours	72.2	10.1	14.0	85.7	4.9	5.7
FIT products ^{Note}	0.4	0.4	N/A	0.2	0.2	N/A
Ancillary travel related products and services ^{Note}	1.0	1.0	N/A	1.2	1.2	N/A
Total	73.6	11.5	15.6	87.1	6.3	7.2

Note: The Group's revenue from sales of FIT products and ancillary travel related products and services are recognised on net basis as the Group renders its services as an agent.

Package Tours

The Group's revenue from package tours decreased by 15.8% from approximately HK\$85.7 million for the three months ended 30 June 2018 to approximately HK\$72.2 million for the three months ended 30 June 2019, mainly due to the decrease in number of tour participants. Gross profit margin from package tours increased from 5.7% for the three months ended 30 June 2018 to 14.0% for the three months ended 30 June 2019, mainly due to (i) launch of relatively low-priced tours with lower profit margins that were destined for Kumamoto during 2018 and (ii) impact brought on the amount of forfeiture incurred and product pricing as a result of the change in the Group's strategy in connection with charter flights and block reservations with airline suppliers as discussed in the sub-section headed "Business Review" above.

FIT products

Revenue from FIT products increased from approximately HK\$0.2 million for the three months ended 30 June 2018 to approximately HK\$0.4 million for the three months ended 30 June 2019, mainly due to active marketing and promotion applied on products covering Japan and Southeast Asia.

Ancillary travel related products and services

Ancillary travel related products and services mainly include travel insurance, admission tickets to attractions such as theme parks and shows, local transportation such as airport transportation, overseas transportation such as rail passes, car rental, prepaid telephone and internet cards and travel visa applications. The Group's revenue from ancillary travel related products and services decreased from approximately HK\$1.2 million for the three months ended 30 June 2018 to approximately HK\$1.0 million for the three months ended 30 June 2019, mainly due to the decrease in margin income from insurance companies for the sales of travel insurance to tour participants.

Selling expenses

Selling expenses mainly consist of (i) advertising and promotion expenses, such as sponsoring television travel programmes and films, online and offline media advertisements, participating in tourism fairs and organising travel seminars; (ii) credit card and debit card charges in respect of payments from customers with credit cards and electronic payment services (EPS); and (iii) depreciation of right-of-use assets for the Group's branches. Selling expenses decreased by 17.8% from approximately HK\$4.5 million for the three months ended 30 June 2018 to approximately HK\$3.7 million for the three months ended 30 June 2019, mainly due to (i) decrease in advertising and marketing expenses on the Group's traditional advertisements in newspapers and hardcopy magazines; and (ii) decrease in credit card charges and levy paid to Travel Industry Council of Hong Kong as a result of decreased number of tour participants.

Administrative expenses

Administrative expenses mainly consist of (i) staff costs, representing the Directors' remuneration and the salaries and benefits for the Group's administrative and operational staff; (ii) depreciation of right-of-use assets for the Group's office premises; (iii) office, telecommunication and utility expenses incurred in the Group's daily operations; (iv) legal and professional fees; and (v) other miscellaneous administrative expenses. Administrative expenses for the three months ended 30 June 2019 remained relatively stable at approximately HK\$10.4 million as compared to the corresponding period in 2018.

Loss and total comprehensive loss for the period

The Group's loss and total comprehensive loss decreased from approximately HK\$7.9 million for the three months ended 30 June 2018 to approximately HK\$3.2 million for the three months ended 30 June 2019, mainly due to (i) increase in gross profit by approximately HK\$5.2 million for reasons as discussed in the sub-sections headed "Business Review" and "Financial Review — Revenue and gross profit" above; (ii) decrease in selling expenses by approximately HK\$0.8 million for reasons as discussed in the sub-section headed "Financial Review — Selling expenses" above; and (iii) an income tax credit of HK\$1.4 million being recorded for the three months ended 30 June 2018.

FUTURE PROSPECTS

With its long-established brand name, well-maintained business relationship with suppliers, ability to respond to adversities and healthy net assets position, the Group will continue to put forth its best efforts to drive business performance and growth by:

- boosting its marketing efforts (i) on digital marketing, including advertising on social media and search engine marketing, so as to increase online channel presence and online traffic and drive online inquiry to the Group's product offerings; and (ii) to raise the awareness of the Group's brand and enhance the popularity of its products through travel television programmes, social media, search engine optimisation and other conventional media advertisements such as newspapers and television commercials;
- continuing to (i) evaluate and optimise the Group's online sales platform to improve user interface design and user experience; (ii) revamp the customer relationship management system to boost customer loyalty; and (iii) consider the development of a mobile application; and
- introducing new travel related products, services and elements (including new routes, itineraries, activities and hotel accommodations) from time to time in order to offer new and/or better travel experience to its customers.

As at 30 June 2019, the Group owned approximately 3.6% and 1.0% of the issued share capital of CTEH INC. (“CTEH”) and Feiyang International Holdings Group Limited (“Feiyang”) respectively. CTEH is a long-established air ticket consolidator, travel business process management provider and travel products and services provider in Canada, with its shares listed on the Stock Exchange. Feiyang is a well-established travel products and services provider in the People’s Republic of China, who ranked fifth among all travel agencies in Zhejiang Province in terms of revenue in 2017 (according to Feiyang’s prospectus dated 19 June 2019) and whose shares were listed on the Stock Exchange on 28 June 2019. As at 30 June 2019, Triplabs (BVI) Limited (the “JV Company”), a joint venture company set up by the Group and CTEH had investments in seven startup companies that engaged in tourism and travel technology related businesses, including (i) travel metasearch engines for flight tickets; (ii) data-centric advertising solutions; (iii) vacation photography booking platform; (iv) property standardisation and management system for budget and midscale hotels and guest houses; (v) artificial intelligence powered influencer marketing programme; (vi) technology infrastructure solutions for both online and offline travel agents; and (vii) social interaction and group-buying element incorporated travel activity platform. The Group considers that its investments in CTEH, Feiyang and the JV Company’s investments are in line with the Group’s investment strategy and will bring returns to the Group. The Group also believes that all these investments will provide business development opportunities, and that the investees and the Group will offer complementary advantages to each other on strategic developments in the future.

The Group will try its best endeavor to implement the above strategic initiatives that will enable the Group to grow and move forward.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

A. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, 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 meaning of Part XV of the Securities and Futures Ordinance (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 they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the required standard of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) *Long Positions in the Company's Shares*

Name of Director	Capacity/Nature	Number of Shares held/ interested in	Percentage of shareholding
Ms. Chan Suk Mei ("Ms. Chan") ^{Note}	Interest in a controlled corporation	300,000,000	75%
Mr. Yuen Sze Keung ("Mr. SK Yuen") ^{Note}	Interest in a controlled corporation	300,000,000	75%

Note: WWPKG Investment Holdings Limited ("WWPKG Investment") is an investment holding company incorporated in the British Virgin Islands ("BVI") and is owned as to 68.02%, 23.42% and 8.56% by Ms. Chan, Mr. SK Yuen and Mr. Yuen Chun Ning ("Mr. CN Yuen") respectively. Ms. Chan and Mr. SK Yuen are parties acting jointly and are therefore deemed to be interested in all the shares of the Company (the "Shares") held by WWPKG Investment under the SFO.

(ii) *Long Positions in the Ordinary Shares of Associated Corporations*

Name of Director	Name of associated corporation	Capacity/Nature	Number of Shares held/ interested in	Percentage of shareholding
Ms. Chan	WWPKG Investment	Beneficial owner	6,802	68.02%
		Interest of spouse	2,342	23.42%
Mr. SK Yuen	WWPKG Investment	Beneficial owner	2,342	23.42%
		Interest of spouse	6,802	68.02%
Mr. CN Yuen	WWPKG Investment	Beneficial owner	856	8.56%

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 June 2019, the interests 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 which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long Positions in the Company's Shares

Name of Shareholder	Capacity/Nature	Number of Shares held/ interested in	Percentage of shareholding
WWPKG Investment ^{Note}	Beneficial owner	300,000,000	75%

Note: WWPKG Investment is an investment holding company incorporated in the BVI and is owned as to 68.02%, 23.42% and 8.56% by Ms. Chan, Mr. SK Yuen and Mr. CN Yuen respectively. Ms. Chan and Mr. SK Yuen are parties acting jointly and are therefore deemed to be interested in all the Shares held by WWPKG Investment under the SFO.

Save as disclosed above, as at 30 June 2019, 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 under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the sub-section headed "Disclosure of Interests" above, at no time during the three months ended 30 June 2019 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE PRACTICES AND COMPLIANCE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules (the "CG Code"). The Board and the management of the Company are committed to maintaining and achieving a high standard of corporate governance practices with an emphasis on a quality Board, an effective accountability system and a healthy corporate culture in order to safeguard the interests of the shareholders of the Company (the "Shareholders") and enhance the business growth of the Group.

During the three months ended 30 June 2019, the Company has complied with all the code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions. Having been enquired by the Company, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct concerning securities transactions by the Directors during the three months ended 30 June 2019.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 June 2019.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' COMPETING INTERESTS

For the three months ended 30 June 2019, each of the Directors, the controlling Shareholders and their respective close associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interests in any company that competes or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group.

SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") was adopted pursuant to a resolution passed by the Company's then shareholders on 16 December 2016 ("Adoption Date"). No share option was granted, lapsed, exercised or cancelled by the Company under the Share Option Scheme from the Adoption Date to 30 June 2019 and there was no outstanding share option as at the date of this report.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the requirements as set out in Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The Audit Committee reviews, amongst others, the financial information of the Group; the relationship with and terms of appointment of the external auditors; and the Group's financial reporting system, risk management and internal control systems, and provides advices and comments to the Board. The Audit Committee currently comprises three independent non-executive Directors. The unaudited first quarterly financial results of the Group for the three months ended 30 June 2019 have been reviewed by the Audit Committee together with the Group's management.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2019

	Note	Three months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	3	73,576	87,072
Cost of sales	5	(62,095)	(80,821)
Gross profit		11,481	6,251
Other (losses)/gains and other income, net	4	(342)	(180)
Selling expenses	5	(3,703)	(4,515)
Administrative expenses	5	(10,404)	(10,759)
Operating loss		(2,968)	(9,203)
Finance costs, net	6	(133)	(1)
Share of results of a joint venture		(110)	(33)
Loss before income tax		(3,211)	(9,237)
Income tax credit	7	–	1,361
Loss and total comprehensive loss for the period		(3,211)	(7,876)
Loss and total comprehensive loss attributable to:			
Owners of the Company		(3,198)	(7,789)
Non-controlling interests		(13)	(87)
		(3,211)	(7,876)
Basic and diluted loss per share (<i>expressed in HK cents</i>)	8	(0.80)	(1.90)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2019

	Attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	(Note) Capital reserve HK\$'000	Other reserve HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Balance at 1 April 2019, as originally presented	4,000	56,667	11,371	2,500	(7,498)	67,040	320	67,360
Impact on initial application of HKFRS 16	-	-	-	-	(191)	(191)	1	(190)
Balance at 1 April 2019 (Unaudited)	4,000	56,667	11,371	2,500	(7,689)	66,849	321	67,170
Total comprehensive loss (unaudited)								
Loss for the three months ended 30 June 2019	-	-	-	-	(3,198)	(3,198)	(13)	(3,211)
Balance at 30 June 2019 (unaudited)	4,000	56,667	11,371	2,500	(10,887)	63,651	308	63,959
Balance at 1 April 2018	4,000	56,667	11,371	-	25,618	97,656	601	98,257
Total comprehensive loss (unaudited)								
Loss for the three months ended 30 June 2018	-	-	-	-	(7,789)	(7,789)	(87)	(7,876)
Balance at 30 June 2018 (unaudited)	4,000	56,667	11,371	-	17,829	89,867	514	90,381

Notes: Capital reserve represents the difference between the value of net assets of the subsidiaries acquired by the Company and the share capitals in acquired subsidiaries under common control.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 8 June 2016 as an exempted company with limited liability under Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered address of the Company is at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business in Hong Kong is located at Unit 706-8, 7/F., Lippo Sun Plaza, 28 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are the sales of Travel Related Products and Services and Tourism and Travel Technology Investments.

The Shares were listed on GEM on 12 January 2017.

The ultimate holding company of the Group is WWPKG Investment Holdings Limited, a company incorporated in the BVI.

The unaudited condensed consolidated financial information is presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

2 BASIS OF PREPARATION

The unaudited condensed consolidated financial information for the three months ended 30 June 2019 has been prepared in accordance with the same accounting policies adopted in the Company’s annual consolidated financial statements for the year ended 31 March 2019, except for the adoption of the new Hong Kong Financial Reporting Standards (“HKFRSs”) and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are effective for accounting periods beginning on 1 April 2019. Except for HKFRS 16 as described below, the adoption of the new HKFRSs and amendments to HKFRSs has had no significant financial effect on the unaudited condensed consolidated financial information.

The unaudited condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended 31 March 2019.

Adoption of HKFRS 16 Leases

The Group applied HKFRS 16 with a date of initial application on 1 April 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

The Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2018/2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new and amended requirements with respect to lease accounting are therefore recognised in the opening statement of financial position on 1 April 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2 BASIS OF PREPARATION (CONTINUED)

Adoption of HKFRS 16 Leases (Continued)

(a) *Adjustments recognised on adoption of HKFRS 16*

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in the consolidated statement of comprehensive income over the lease period on a straight-line basis.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 April 2019. The weighted average Group's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4.95%.

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The Group's recognised right-of-use assets relate to property leases.

On transition of HKFRS 16, the Group recognised right-of-use assets and lease liabilities, with the difference recognised in accumulated losses on 1 April 2019. As a result of the change in accounting policy, the net impact on accumulated losses on 1 April 2019 was an increase of HK\$191,000.

(b) *Accounting policies adopted since 1 April 2019*

The Group leases branches and office premises. Rental contracts are typically made for fixed periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018/2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2 BASIS OF PREPARATION (CONTINUED)

Adoption of HKFRS 16 Leases (Continued)

(b) *Accounting policies adopted since 1 April 2019 (Continued)*

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 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 interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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. Low-value assets comprise small items of office furniture and equipment.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Three months ended 30 June	
	2019	2018
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Sales of package tours	72,207	85,701
Margin income from sales of FIT products	412	221
Margin income from sales of ancillary travel related products and services	957	1,150
	<u>73,576</u>	<u>87,072</u>

(b) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker that are used for making strategic decisions. The chief operating decision-maker has been identified as the executive Directors of the Company. They review the Group's internal reporting in order to assess performance and allocate resources.

The Group is organised into two reportable segments:

- (i) Travel Related Products and Services; and
- (ii) Tourism and Travel Technology Investments.

The chief operating decision-maker assesses the performance of the operating segments based on a measure of profit before interest and tax. Information provided to the chief operating decision-maker is measured in a manner consistent with that in the consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Segment results and other segment items are as follows:

	Three months ended 30 June					
	2019			2018		
	Travel Related Products and Services HK\$'000	Tourism and Travel Technology Investments HK\$'000	Total HK\$'000	Travel Related Products and Services HK\$'000	Tourism and Travel Technology Investments HK\$'000	Total HK\$'000
Reportable segment revenue	73,576	–	73,576	87,072	–	87,072
Reportable segment loss	(1,882)	(110)	(1,992)	(8,521)	–	(8,521)
Unallocated expenses			(1,086)			(715)
Finance income			16			1
Finance costs			(149)			(2)
Loss before income tax			(3,211)			(9,237)
Income tax credit			–			1,361
Loss and total comprehensive loss			(3,211)			(7,876)
Share of results of a joint venture	–	(110)	(110)	(33)	–	(33)
Depreciation of property, plant and equipment	599	–	599	619	–	619
Depreciation of right-of-use assets	1,946	–	1,946	–	–	–

For the three months ended 30 June 2019 and 2018, unallocated expenses represent corporate expenses.

(c) Geographic information

The Group's business is domiciled in Hong Kong and all revenue was generated from customers located in Hong Kong and Macau.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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

	Three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Other income		
Referral income	122	131
Management services fee income	36	–
Aviation business cooperation income	75	–
Dividend income	197	–
Subsidies	9	–
	439	131
Other (losses)/gains, net		
Exchange losses, net	(111)	(430)
Fair value gains/(losses) on derivative financial instruments	5	(20)
Fair value (losses)/gains on listed equity securities in Hong Kong	(675)	139
	(781)	(311)
Other (losses)/gains and other income, net	(342)	(180)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5 EXPENSES BY NATURE

The Group's loss is stated after crediting the following cost of sales, selling expenses and administrative expenses:

	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Land costs ^{Note}	34,512	43,171
Air fare costs	27,486	37,510
Operating lease rentals of:		
— Office and branches premises	—	2,427
— Equipment rental	99	107
Advertising and promotion	1,076	1,774
Credit card fees	721	958
Employee benefits expenses, excluding Directors' benefits and interests		
— Salaries, discretionary bonus and allowances	5,283	5,339
— Pension costs – defined contribution plan	296	328
— Other employee benefits	112	123
	5,691	5,790
Directors' benefits and interests	1,204	1,204
Depreciation of property, plant and equipment	599	619
Depreciation of right-of-use assets	1,946	—
Office, telecommunication and utility expenses	313	321
Exchange losses/(gains), net	33	(81)
Legal and professional fees	477	664
Auditor's remuneration		
— Audit services	250	264
Others	1,795	1,367
	76,202	96,095

Note: Land costs mainly consist of direct costs incurred in the provision of package tours services such as land operator services, hotel accommodations, transportation expenses, meal expenses and admission tickets costs.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6 FINANCE COSTS, NET

	Three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Finance income		
Bank interest income	16	1
Finance costs		
Interest expense on lease liabilities	(149)	–
Interest expense on obligations under finance leases	–	(2)
	(149)	(2)
Finance costs, net	(133)	(1)

7 INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the three months ended 30 June 2019 (three months ended 30 June 2018: 16.5%).

No overseas profits tax has been calculated as the Group companies are incorporated in the BVI or the Cayman Islands and are exempted from tax.

Income tax credit credited to the unaudited condensed consolidated statement of comprehensive income represents:

	Three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Current income tax credit	–	68
Deferred income tax credit	–	1,293
	–	1,361

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

8 BASIC AND DILUTED LOSS PER SHARE

(a) Basic

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

	Three months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Loss attributable to owners of the Company (HK\$'000)	(3,198)	(7,789)
Weighted average number of ordinary shares in issue ('000)	400,000	400,000
Basic loss per Share (HK cents per share)	(0.80)	(1.90)

(b) Diluted

Diluted loss per Share is the same as basic loss per Share due to the absence of potential dilutive ordinary shares during the three months ended 30 June 2019 (three months ended 30 June 2018: Same).

9 DIVIDENDS

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

10 RELATED PARTY TRANSACTIONS

The ultimate parent of the Company is WWPKG Investment Holdings Company Limited, a company incorporated in the BVI.

The Directors are of the view that the following individuals and companies were related parties that had transactions or balances with the Group as at and for the three months ended 30 June 2019 and 2018:

Name of related party	Relationship with the Group
Ms. Chan	Director of the Company
Mr. SK Yuen	Director of the Company
Mr. CN Yuen	Director of the Company
Sky Right Investment Limited	Controlled by a Director of the Company
HCNY Consultancy Limited	Controlled by a Director of the Company
JCS Limited	Controlled by a connected person of the Director of the Company
Y's Japan Limited	Controlled by a connected person of the Director of the Company
Triplabs Limited	A joint venture of the Group

Other than those transactions and balances disclosed elsewhere in the unaudited condensed consolidated financial information, the following transactions were carried out with related parties during the three months ended 30 June 2019 and 2018:

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

10 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Rental expenses		
Sky Right Investment Limited	705	705
Venue fee		
HCNY Consultancy Limited	–	61
Tour bus services fee		
JCS Limited	–	2,240
Booking services fee		
Y's Japan Limited	685	647
Management services fee income		
Triplabs Limited	36	–

All of the above transactions with related parties were conducted in the ordinary course of the business of the Group based on the terms mutually agreed between the relevant parties.

(b) Key management compensation

The remuneration of the Directors and other members of key management, who have the responsibility for planning, directing and controlling the activities of the Group, are set out below.

	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries and allowances	1,703	1,704
Discretionary bonuses	–	–
Pension costs — defined contribution plan	13	14
	1,716	1,718

11 CONTINGENCIES

As at 30 June 2019, the Group did not have any significant contingent liabilities (30 June 2018: Same).