

專業旅運(亞洲)企業有限公司

Travel Expert (Asia) Enterprises Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1235



Interim Report
2016/2017

CONTENTS

Pages

02	Corporate Information
03	Financial Highlights
04	Chairman's Statement
06	Management Discussion and Analysis
13	Other Information
17	Independent Review Report
19	Consolidated Statement of Comprehensive Income
21	Consolidated Statement of Financial Position
23	Consolidated Statement of Changes in Equity
24	Condensed Consolidated Statement of Cash Flows
25	Notes to the Condensed Consolidated Interim Financial Statements





CORPORATE INFORMATION

DIRECTORS

Executive Directors

- Mr. Ko Wai Ming, Daniel (*Chairman*)
Ms. Cheng Hang Fan (*Chief Executive Officer*)
Mr. Kam Tze Ming, Alfred
(*Chief Operating Officer*)
Mr. Chan Wan Fung
(*Chief Financial Officer*)

Independent Non-executive Directors

- Mr. Mak King Sau
Mr. Szeto Chi Man
Mr. Yung Ha Kuk, Victor

AUDIT COMMITTEE

- Mr. Yung Ha Kuk, Victor (*Chairman*)
Mr. Mak King Sau
Mr. Szeto Chi Man

NOMINATION COMMITTEE

- Mr. Szeto Chi Man (*Chairman*)
Mr. Ko Wai Ming, Daniel
Mr. Mak King Sau
Mr. Yung Ha Kuk, Victor

REMUNERATION COMMITTEE

- Mr. Mak King Sau (*Chairman*)
Ms. Cheng Hang Fan
Mr. Szeto Chi Man
Mr. Yung Ha Kuk, Victor

COMPANY SECRETARY

- Ms. Cheng Yin Wah

AUDITOR

- BDO Limited

PRINCIPAL BANKER

- Hang Seng Bank Limited

REGISTERED OFFICE

- Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

- 9th Floor
Kowloon Plaza
No. 485 Castle Peak Road
Lai Chi Kok
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

- Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

- Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

- www.tegroup.com.hk

STOCK CODE

- The Stock Exchange of Hong Kong Limited: 1235



FINANCIAL HIGHLIGHTS

	Notes	Six months ended		Change
		2016	2015	
		HK\$'000	HK\$'000	
Profitability				
Total customer sales proceeds		901,341	1,011,092	-10.9%
Revenue				
— Service income from sales of travel/wedding related products		144,387	173,435	-16.7%
— Sales of package tours		28,780	24,979	+15.2%
— Rental income from investment property		1,140	1,094	+4.2%
		174,307	199,508	-12.6%
Profit attributable to owners of the Company		898	22,414	-96.0%
Earnings per share — Basic (HK cents)	1	0.2	4.4	-95.5%
Financial ratio				
Return on equity (%)	2	0.5%	12.1%	
Current ratio (time)	3	1.16	1.25	
Gearing ratio (%)	4	13.0%	11.2%	

Notes:

1. The calculation of the basic earnings per share is based on 513,579,000 (2015: 513,579,000) weighted average number of ordinary shares in issue during the period.
2. Return on equity is calculated based on the profit for the period attributable to owners of the Company divided by the equity attributable to owners of the Company at the end of the period and multiplied by 100%.
3. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the period.
4. Gearing ratio is calculated based on the bank borrowings divided by the total equity at the end of the period and multiplied by 100%.



CHAIRMAN'S STATEMENT

Dear Honorable Shareholders,

For the six months ended 30 September 2016, the operating environment continued to be very challenging. As indicated in the profit warning announcement issued by the Company on 28 September 2016, the Group eventually recorded a loss of HK\$0.8 million for the period under review as compared with the net profit of HK\$20.6 million for the corresponding period for the last year. The drop in the profit was mainly due to the revaluation loss of HK\$6.6 million in the Group's investment property caused by the general downward adjustment in Hong Kong retail property market. Also, the continuous slowing down of the retail market in Hong Kong together with the intensified competition from online travel agencies and budget airlines caused considerable decrease in revenue and profit margin.

In view of the rapid changes in the market environment and consumption patterns, we recognize that the provision of both online and offline shopping channels is important to the future business developments. Therefore, we are now working on the development of our own online trading platform, which is expected to be launched in the late 2017. The online trading platform can facilitate faster market penetration and suit different customers shopping preferences. However, we need to overcome many difficulties ahead. One of them is the lack of suitable IT talents and the progress of our IT initiatives is inevitably affected.

Furthermore, we notice that due to the weak consumption sentiment and continuing slowdown in the retail market, most of the online travel agencies and budget airlines are making a very narrow profit margin. Their marketing strategy is to offer products at a very low price and attract customers through overwhelming advertising programs. This low margin business model is a great challenge to all market players and we must learn how to adapt to this new market norm. Nevertheless, we believe that such cut-throat competition will not be a long-term tactic. When the retail market improved, competitors will cease to adopt low pricing strategy.

In addition, the online travel agencies still have inherent limitation on providing services to customers especially about the after-sales customer support and subsequent change of itinerary services. Therefore, we firmly believe that the services provided by our travel consultants in the physical stores are irreplaceable. The value-added services including trip planning and other customer services offered by our shops can fit each customer's individual needs. In the future, we expect the integration of online trading platform and physical stores' services will drive sales growth because it will facilitate different consumption needs and allow us to maintain personal contact with our customers.



In recent years, to enhance our competitiveness and to cater for different customers' travelling preferences, we have put sustained efforts in business diversification. Through the establishment of different business lines, we have greatly broadened the product offerings from air plus hotel packages (Travel Expert) to other areas like corporate travel (Travel Expert Business Services), cruise holidays (Cruise Expert), themed independent travel (Tailor Made Holidays), high-end guided tours (Premium Holidays), overseas wedding and wedding relating services (Take My Hand). All these new business lines are on a solid track of development. We will put continuous efforts to enhance their branding and promote their business by launching various marketing initiatives. In October 2016, with an aim to drive sales growth for all business lines, we launched a Group level's membership reward scheme called "JETSO Plus" to increase our customers' loyalty and further expand our repeated customer base.

Looking ahead, to meet the tough operating environment in the near future, we are realigning our business operations and consolidating our branch network so as to improve operational and cost efficiency as well as to enhance the shop productivity. We will continue to consolidate our core FIT business by enhancing the product mix and services. We have keen determination to implement business diversification strategy to provide a wide variety of products and services. Furthermore, we will adopt effective cost control measures to reduce the operating cost. With our leading position in the travel industry and the experienced management team, we have strong determination to implement the business diversification and development strategies successfully.

On behalf of the Board, I wish to express my sincere gratitude to shareholders, business partners and customers for their continued support, and to employees for their dedication and hard work.

Ko Wai Ming, Daniel

Chairman and Executive Director

Hong Kong, 23 November 2016



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

As indicated in the profit warning announcement issued by the Company on 28 September 2016, the Group recorded a loss for the six months ended 30 September 2016 (the "Period"). The Group's total customer sales proceeds was HK\$901.3 million for the Period, representing a decrease of 10.9% as compared with HK\$1,011.1 million for the corresponding period last year. The total revenue for the Period decreased to HK\$174.3 million (2015: HK\$199.5 million), representing a decrease of 12.6% over the corresponding period last year. The drop in business performance was due to continuous slowing down of the retail market in Hong Kong and there is no obvious sign of recovery in the short run. Also, the intensified competition from online travel agencies and budget airlines exerted considerable pressure on the Group's gross profit.

In addition, the revaluation loss of HK\$6.6 million in our investment property due to the general downward adjustment in Hong Kong retail property market also contributed to the drop in our bottom line. Excluding the revaluation loss of property and non-controlling interests, the profit for the Period attributable to owners of the Company had a decrease of 66.5% to HK\$7.5 million (2015: HK\$22.4 million). Overall, the Group's loss for the Period was HK\$0.8 million, representing a decrease of 103.9% from the profit of HK\$20.6 million for the corresponding period last year. Basic earnings per share attributable to owners of the Company for the Period was HK0.2 cents, representing a decrease of 95.5% from HK4.4 cents over the corresponding period last year. The Board has resolved not to declare an interim dividend for the Period (2015: HK1.5 cents per ordinary share).

BUSINESS REVIEW

The Group's retail FIT (Free Independent Travellers) business is operated mainly through Travel Expert Limited (專業旅運有限公司) ("Travel Expert"), which is the core focus of the Group. During the Period, the performance was not satisfactory and recorded a drop in both customer sales proceeds and margin percentage. The continuing retail market slowdown and the weak consumption sentiment in Hong Kong adversely affected the travelling spending. In addition, the keen competition from online travel agencies and budget airlines presented a direct threat on the revenue and profit margin. In order to differentiate itself from these online sales platforms, it implemented new programs to improve the frontline services quality and increase product offerings so as to better serve customers and enhance their loyalty. To improve operational efficiency and productivity, this business brand has started the branch network streamline exercises. Some shops with lower operational efficiency have been closed. Facing the tough operating environment, it launched proactive marketing activities vigorously with an aim to drive sales growth.



The Group's another retail FIT business brand, Tailor Made Holidays Limited (度新假期有限公司) ("Tailor Made Holidays") recorded a stable business growth. During the Period, it opened a new shop at Yuen Long Yoho Mall. In October 2016, another new shop was opened at Mongkok Wing Lung Bank Centre. Meanwhile, its shop at Kowloon Bay Telford Plaza was replaced by a new shop at Kwai Fong Metroplaza in May 2016. At present, there are totally five shops operated under this brand name. Apart from network expansion, we have committed resources to enrich its product portfolio and promote its product name of Lovers' Travel (愛侶•遊), which offers specially designed travel products for couples and lovers.

The performance of the Group's online sales platform "Pack2fly.com" was not up to our expectation due to various inherent limitations and system issues of our suppliers' platform. Its contribution to the Group is still very minimal at this moment. We are working on some measures to improve its business performance. Also, our IT team in Shenzhen is working on the redevelopment of a new online trading platform to replace it and we target to deliver the new platform in late 2017.

The Group's corporate business is operated mainly through Travel Expert Business Services Limited (專業旅運商務有限公司) ("Travel Expert Business Services"). During the Period, its business performance was fairly stable. We noted that the continuing economic slowdown caused further reduction in corporate travel and staff spending that adversely affected the performance of this business line. The Group has taken appropriate measures to tackle the changing market environment in the corporate travel business and will continue to monitor its business performance.

The Group's tour operation is conducted by Premium Holidays Limited (尊賞假期有限公司) ("Premium Holidays"). It focuses on operating high-end long haul tours, cruise travel tours and MICE (meeting, incentive, conference and exhibition) businesses. During the Period, we allocated significant resources to support this business and launched marketing activities to further enhance its market awareness. Although it recorded an increase in the sales volume compared with the corresponding period of the last year, its performance was still not up to our expectation due to various external reasons, such as threats of terrorist attack in Western Europe and the outbreak of Zika virus infection in South America. Nevertheless, we are confident that the tours offered by this business brand are well suited for customers' needs and styles as its target customers are those who look for journeys that combined with different elements, e.g. fun, adventure and experience, rather than standard tour sights. Now, it has three retail shops at Tsimshatsui Han Chung Mansion, Causeway Bay Hang Lung Centre and Central Grand Building. With its dedicated team, we believe that this brand's business will be strengthened through the wide selections of the destinations, hotels, restaurants as well as quality services.



During the Period, the business of cruise holidays operated by Cruise Expert Limited (專業郵輪有限公司) (“Cruise Expert”) recorded a strong increase in the sales result. Following the opening of Kai Tak Cruise Terminal in 2013, a growing number of cruise lines use Hong Kong as home port that have greatly promoted the cruise holidays concept in the past few years. More and more local customers become familiar with cruise holidays and we expect that this business brand will continue to grow.

The Group’s wedding related business is conducted by Take My Hand Limited (緣動有限公司) (“Take My Hand”). During the Period, it recorded a significant business growth in terms of revenue. In May 2016, the business was granted a Travel Agent Licence which enabled it to offer one-stop wedding services and products including wedding planning services, event management, overseas wedding and travelling arrangements. It has committed to providing a wide range of products and services to customers and their relatives for touching and memorable events. In the coming months, it will continue to launch various marketing activities proactively to promote its business and brand name.

In addition to the ordinary travel business segment, our investment activities using the Group’s surplus funds allocated under the approved investment cap are conducted by Travel Expert Asset Management Limited (專業旅運資產管理有限公司) (“Travel Expert Asset Management”). This segment recorded a profit contribution to the Group during the Period. We will continue to closely monitor the market situation and make investment decisions prudently in order to help the Group to better utilize its surplus fund and contributed to its bottom line.

FINANCIAL REVIEW

Selling and Distribution Costs

For the Period, selling and distribution costs amounted to HK\$109.6 million, representing a decrease of 10.0% from HK\$121.8 million for the corresponding period last year. The selling and distribution costs accounted for 74.0% of the Group’s total gross profit, having increased from 68.7% in the corresponding period last year.

The decrease of selling and distribution costs was mainly due to the reduction of frontline staff cost that was contributed by the reduction of frontline headcounts and less sales commission expenses. Also, there was a moderate decrease of the average rental of retail premises. During the Period, we worked hard to streamline our branch network in order to enhance the operational efficiency. Besides, the Group carried out strict cost control measures and managed to maintain a reasonable selling and distribution costs level. Despite the cost pressure, we will continue to maintain a widespread and effective sales network, which is one of our key competitive advantages, as well as exploring new sales channels. As at 30 September 2016, the Group operated a total of 60 retail shops in Hong Kong under the brand names of Travel Expert, Tailor Made Holidays, Premium Holidays, Cruise Expert and Take My Hand.



Administrative Expenses

For the Period, administrative expenses amounted to HK\$35.4 million, representing a decrease of 2.2% from HK\$36.2 million for the corresponding period last year. Administrative expenses accounted for 23.9% of the Group's total gross profit, which increased from 20.4% in the corresponding period last year.

Salaries for back office staff and the office rental accounted for the majority of the Group's administrative expenses. Currently, the Group has four back office locations in Hong Kong and one in Shenzhen. With our efforts, the overall administrative expenses for the Period recorded a decrease although we committed to allocating extra resources for the new business lines development and various IT projects to the advancement of IT applications and infrastructure. In view of the increasing operating cost pressure, the Group will continue to adopt effective control measures of administrative expenses by better allocation of its back office resources and streamline of its existing working process.

Finance Cost

Finance cost of the Group for the Period was HK\$247,000 (2015: HK\$227,000), which was mainly related to the interest-bearing bank borrowing of mortgage loans for the Group's properties.

Liquidity, Financial Resources and Capital Resources

The Group generally finances its liquidity requirements through internally generated resources and will only finance with available banking facilities whenever necessary. The Group's financial position as at 30 September 2016 remained healthy with net assets value of HK\$169.0 million (as at 31 March 2016: HK\$183.8 million). Including the time deposits over three months, the Group had total cash and cash equivalents of HK\$144.8 million as at 30 September 2016 (as at 31 March 2016: HK\$194.4 million). As at 30 September 2016, in addition to an investment property with fair value at HK\$54.0 million (as at 31 March 2016: HK\$60.6 million), the Group held a portfolio of financial assets and liabilities at fair value through profit or loss at around HK\$1.5 million and nil respectively (as at 31 March 2016: HK\$20.3 million and HK\$31,000 respectively).

As at 30 September 2016, the Group's current ratio (current assets divided by current liabilities) was 1.16 times compared with 1.15 times as at 31 March 2016. The gearing ratio (interest-bearing borrowings divided by total equity) was 13.0% as compared with 18.3% as at 31 March 2016. In view of the Group's cash flow status together with the surplus cash position, the Group has adequate financial resources to meet the future payment obligation and support its future business development plan.

Contingent Liabilities

The Group did not have any contingent liabilities as at 30 September 2016.



Capital Commitment

As at 30 September 2016, the Group's commitments in respect of capital expenditure were contracted but not provided for the acquisition of property, plants and equipments of approximately HK\$869,000 (31 March 2016: Nil).

Pledge of Assets

As at 30 September 2016, the Group had outstanding bank borrowings amounting in total of HK\$21.9 million (as at 31 March 2016: HK\$33.6 million) which were repayable on demand and secured by the Group's land and building and investment property.

Foreign Exchange Risks and Treasury Policies

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 functional currency. The Group's policy requires the management to monitor the Group's foreign exchange exposure by closely monitoring the movement of foreign currency rates. The management may purchase foreign currency at spot rate, when and where appropriate for the purpose of meeting the Group's future payment obligation in foreign currency. With the setup of Travel Expert Asset Management together with the extension of investment scope, the Group may use more financial tools such as foreign exchange forward contracts and currency futures etc. to manage the foreign exchange risks. For the Period, a net foreign exchange loss of approximately HK\$0.6 million was recorded (2015: exchange gain of HK\$0.2 million).

Human Resources and Employee's Remuneration

As at 30 September 2016, the Group had a total workforce of 632 (as at 30 September 2015: 668), of which about 67.4% were front line staff. Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. Other benefits include contributions to mandatory provident fund and medical insurance coverage. In addition, the Group has adopted a Share Option Scheme to recognize the contributions of our staff and to provide them with incentives to stay with the Group. The remuneration policy will be reviewed by the Board from time to time. Emoluments of Directors are determined by the Remuneration Committee after considering the Group's operating results, individual performance and comparing with market conditions.

Event after the Reporting Period

There was no important event affecting the Company and its subsidiaries which has occurred since the six months period ended 30 September 2016.



OUTLOOK

The retail market in Hong Kong is expected to remain stagnant in the rest of the year. Having regard to the persistent economic slowdown and intensified competition from online travel agencies and budget airlines, the Group will continue to take various measures to tackle these difficulties. Indeed, we have vigorously implemented our goal of business diversification by establishing new business lines since 2011 to undertake travel services of corporate travel by Travel Expert Business Services, cruise holidays by Cruise Expert, themed independent travel by Tailor Made Holidays, high-end guided tours by Premium Holidays and overseas wedding and wedding relating services by Take My Hand. Through the set-up of these new business lines together with our core FIT business operated by Travel Expert, the Group is able to offer a vast array of travel products and all-round services to suit different consumer preferences while at the same time further strengthened our competitive advantages as a one-stop travel solutions provider. In the coming years, our primary task is to support all these new business lines to get a profitable business growth.

To optimize the business results, the Group will continue to streamline the branch network and enhance shop portfolio. We will close low efficiency shops but still be cautious to open new shops at selected strategic locations that will deliver high potential business growth. Furthermore, we will continue to implement the cost control measures that should effectively reduce the operating costs in both selling and administration areas.

In order to response to the rapid market change and the increasingly importance of online operations, we are strenuously working on the redevelopment of our online trading platform. Though there are many limitations such as insufficient IT talents inevitably hindering the progress, we have strong determination to fulfill our goal of moving towards the O2O (Online to Offline) business model.

Facing the challenges ahead, we firmly believe that our dedicated and resourceful staff and management team, who have overcome all economic circumstances and operation difficulties in the past years, will strive to deliver the growth of our business and to maintain our leading position in the travel industry.

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

During the six months ended 30 September 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.



CORPORATE GOVERNANCE

During the six months ended 30 September 2016, the Company has complied with all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed and discussed with the management and the Company’s external auditors the interim results of the Group for the six months ended 30 September 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix 10 of the Listing Rules (“Model Code”) as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, the Directors of the Company confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2016.



OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 30 September 2016, 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 associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long positions in ordinary shares of the Company

Name of Director	Number of shares of HK\$0.01 each in the Company				Approximate percentage of shareholding of the issued share capital
	Personal interests	Family interests	Corporate interests	Total interests	
Mr. Ko Wai Ming, Daniel ("Mr. Ko")	745,000	7,925,000 (note a)	356,715,000 (note b)	365,385,000	71.15%
Ms. Cheng Hang Fan ("Mrs. Ko")	7,925,000	745,000 (note a)	356,715,000 (note b)	365,385,000	71.15%
Mr. Kam Tze Ming, Alfred	2,500,000	–	–	2,500,000	0.49%
Mr. Chan Wan Fung	800,000	–	–	800,000	0.16%

Notes:

- (a) Mr. Ko and Mrs. Ko are spouses. Pursuant to Part XV of the SFO, Mr. Ko is deemed to be interested in the shares of the Company owned by Mrs. Ko and Mrs. Ko is deemed to be interested in the shares of the Company owned by Mr. Ko.
- (b) These shares of the Company are owned by Colvin & Horne Holdings Limited ("CHHL"), which is owned as to 60% and 40% by Mr. Ko and Mrs. Ko respectively.

(b) Long position in shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Beneficial owner	Family interest (Note)	Total number of shares held	Approximate percentage of the issued share capital
Mr. Ko	CHHL	3	2	5	100%
Mrs. Ko	CHHL	2	3	5	100%

Note: Mr. Ko and Mrs. Ko are spouses. Pursuant to Part XV of the SFO, Mr. Ko is deemed to be interested in the shares of CHHL owned by Mrs. Ko and Mrs. Ko is deemed to be interested in the shares of CHHL owned by Mr. Ko.

Save as disclosed above, as at 30 September 2016, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of SFO) which are required, pursuant to Section 352 of the SFO, to be entered in the registers referred to therein or are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company adopted a Share Option Scheme (the "Share Option Scheme") on 6 September 2011. The purpose of the Share Option Scheme is to enable the Board to grant options to selected eligible persons as incentives or rewards for their contribution or potential contribution to the Group and/or to recruit and retain high caliber eligible persons and to attract human resources that are valuable to the Group.

Details of the movement of the share options during the six months ended 30 September 2016 are as follows:

Grantee	Exercisable period	Balance at 1 April 2016	Number of options				Balance at 30 September 2016	Exercise price per share (HK\$)
			Granted during the period	Exercised during the period	Forfeited during the period	Lapsed during the period		
An employee of the Group	1 January 2015 to 31 December 2016	1,000,000	-	-	-	1,000,000	-	1.002
	1 January 2016 to 31 December 2016	1,000,000	-	-	-	1,000,000	-	1.002
		2,000,000	-	-	-	2,000,000	-	



Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30 September 2016, shareholders (not being Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or otherwise notified to the Company are set out below:

Name of Shareholders	Nature of interests		Total number of shares held	Approximate percentage of the issued share capital
	Beneficial owner	Family interest		
CHHL (note a)	356,715,000	–	356,715,000	69.46%
Mr. Chu Hung Kwan ("Mr. Chu") (note b)	17,400,000	11,500,000	28,900,000	5.63%
Ms. Tai Kan Yuet ("Mrs. Chu") (note b)	11,500,000	17,400,000	28,900,000	5.63%

Notes:

- (a) CHHL is owned as to 60% and 40% by Mr. Ko and Mrs. Ko respectively.
- (b) Mr. Chu and Mrs. Chu are spouses. Pursuant to Part XV of the SFO, Mr. Chu is deemed to be interested in the shares of the Company owned by Mrs. Chu and Mrs. Chu is deemed to be interested in the shares of the Company owned by Mr. Chu.

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 30 September 2016, had an interest or a short position in the shares or underlying shares of the Company which are recorded in the registers required to be kept under Section 336 of the SFO or notified to the company pursuant to the SFO.



CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in the information of Directors required to be disclosed is as follows:

The amount of the Director's emolument of Ms. Ko Wai Ming, Daniel, Chairman and Executive Director of the Company, has been reviewed and revised since 1 April 2016.

INVESTMENT ACTIVITIES

For the six months ended 30 September 2016, the Group engaged in certain investment activities. All the funds used in such investment activities were the Group's surplus funds allocated under the investment cap.

As approved by the Board, the investment cap amount reduced from HK\$80 million to HK\$40 million effective on 1 April 2016.

The details of the financial assets or liabilities purchased under the investment cap stated at fair value as at 30 September 2016 were as follows:

Investment by Categories	30 September 2016 (unaudited) HK\$'000	31 March 2016 (audited) HK\$'000
Equity securities listed in Hong Kong and PRC	1,469	951
Debt securities	–	19,326
Short Hang Seng Index	6	(31)
Currency linked investment	20	–
Total Value	1,495	20,246



INDEPENDENT REVIEW REPORT



Tel : +852 2218 8288
Fax : +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

To the Board of Directors of Travel Expert (Asia) Enterprises Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial statements set out on pages 19 to 44 which comprise the consolidated statement of financial position of Travel Expert (Asia) Enterprises Limited and its subsidiaries as of 30 September 2016 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of these condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

Hong Kong, 23 November 2016



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	Notes	Six months ended 30 September 2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Revenue	5	174,307	199,508
Cost of sales		<u>(26,237)</u>	<u>(22,250)</u>
Gross profit		148,070	177,258
Other income and gains	5	5,161	6,836
Changes in fair value of investment property	12	(6,600)	–
Selling and distribution costs		(109,579)	(121,849)
Administrative expenses		(35,436)	(36,157)
Gain on disposal of financial assets/liabilities at fair value through profit or loss		133	318
Fair value loss on financial assets/liabilities at fair value through profit or loss		<u>(5)</u>	<u>(408)</u>
Profit from operations	6	1,744	25,998
Finance costs	7	<u>(247)</u>	<u>(227)</u>
Profit before income tax		1,497	25,771
Income tax expense	8	<u>(2,315)</u>	<u>(5,129)</u>
(Loss)/profit for the period		(818)	20,642
Other comprehensive income, that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas subsidiaries		<u>(145)</u>	<u>(110)</u>
Other comprehensive income for the period, net of tax		<u>(145)</u>	<u>(110)</u>
Total comprehensive income for the period		<u>(963)</u>	<u>20,532</u>



		Six months ended 30 September	
	Notes	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
(Loss)/profit for the period attributable to:			
Owners of the Company		898	22,414
Non-controlling interests		<u>(1,716)</u>	<u>(1,772)</u>
		<u>(818)</u>	<u>20,642</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		753	22,304
Non-controlling interests		<u>(1,716)</u>	<u>(1,772)</u>
		<u>(963)</u>	<u>20,532</u>
Earnings per share attributable to owners of the Company			
— Basic	9	<u>HK0.2 cents</u>	HK4.4 cents
— Diluted		<u>N/A</u>	<u>N/A</u>



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

		30 September 2016 (unaudited) HK\$'000	31 March 2016 (audited) HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	79,203	82,825
Investment property	12	54,000	60,600
Goodwill		445	445
Deposits		7,431	6,731
		141,079	150,601
Current assets			
Inventories		10,348	1,978
Trade receivables	13	11,380	9,910
Prepayments, deposits and other receivables		38,168	30,612
Financial assets at fair value through profit or loss	14	1,495	20,277
Prepaid tax		1,940	3,325
Pledged deposits		–	307
Time deposits over three months	15	70,066	80,168
Cash and cash equivalents	15	74,748	114,212
		208,145	260,789
Current liabilities			
Trade payables	16	112,220	140,021
Accrued charges, deposits received and other payables		45,068	53,347
Bank borrowings	17	21,890	33,573
Financial liabilities at fair value through profit or loss		–	31
Provision for tax		514	627
		179,692	227,599



		30 September 2016 (unaudited) HK\$'000	31 March 2016 (audited) HK\$'000
Net current assets		28,453	33,190
Total assets less current liabilities		169,532	183,791
Non-current liabilities			
Deferred tax liabilities		570	–
		570	–
Net assets		168,962	183,791
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	5,136	5,136
Reserves		168,336	181,450
		173,472	186,586
Non-controlling interests		(4,510)	(2,795)
Total equity		168,962	183,791



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve	Merger reserve	Foreign exchange reserve	Other reserve	Proposed dividend	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2015	5,136	57,779	352	(9,000)	(40)	1,304	17,462	107,197	180,190	(2,482)	177,708
Profit/(loss) for the period	-	-	-	-	-	-	-	22,414	22,414	(1,772)	20,642
Other comprehensive income:											
Exchange alignment	-	-	-	-	(110)	-	-	-	(110)	-	(110)
Total comprehensive income for the period	-	-	-	-	(110)	-	-	22,414	22,304	(1,772)	20,532
Recognition of share-based payments	-	-	93	-	-	-	-	-	93	-	93
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	36	36
Final dividend paid	-	-	-	-	-	-	(17,462)	-	(17,462)	-	(17,462)
At 30 September 2015 (unaudited)	5,136	57,779	445	(9,000)	(150)	1,304	-	129,611	185,125	(4,218)	180,907
At 1 April 2016	5,136	57,779	493	(9,000)	(204)	1,304	13,867	117,211	186,586	(2,795)	183,791
Profit/(loss) for the period	-	-	-	-	-	-	-	898	898	(1,716)	(818)
Other comprehensive income:											
Exchange alignment	-	-	-	-	(145)	-	-	-	(145)	-	(145)
Total comprehensive income for the period	-	-	-	-	(145)	-	-	898	753	(1,716)	(963)
Lapse of share-based payments	-	-	(493)	-	-	-	-	493	-	-	-
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	1	1
Final dividend paid	-	-	-	-	-	-	(13,867)	-	(13,867)	-	(13,867)
At 30 September 2016 (unaudited)	5,136	57,779	-	(9,000)	(349)	1,304	-	118,602	173,472	(4,510)	168,962

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Cash (used in)/generated from operations	(22,712)	29,380
Income tax paid	(577)	–
Income tax refund	<u>104</u>	<u>1</u>
Net cash (used in)/generated from operating activities	<u>(23,185)</u>	<u>29,381</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,793)	(2,862)
Net cash outflow from acquisition of a subsidiary	–	(345)
Dividend income	2	68
Decrease in pledged deposits	307	2,422
Decrease in cash deposit with an original maturity of more than three months	10,102	45,221
Interest received	<u>1,008</u>	<u>1,485</u>
Net cash generated from investing activities	<u>9,626</u>	<u>45,989</u>
Cash flows from financing activities		
Dividends paid	(13,867)	(17,462)
Capital injection from non-controlling interests	1	–
Repayments of bank and other borrowings	(11,683)	(35,728)
Interest paid	<u>(247)</u>	<u>(227)</u>
Net cash used in financing activities	<u>(25,796)</u>	<u>(53,417)</u>
Net (decrease)/increase in cash and cash equivalents	(39,355)	21,953
Cash and cash equivalents at beginning of the period	114,212	71,040
Effect of foreign exchange rate changes	<u>(109)</u>	<u>(70)</u>
Cash and cash equivalents at end of the period	<u>74,748</u>	<u>92,923</u>



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2016

1. GENERAL INFORMATION

Travel Expert (Asia) Enterprises Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company and its subsidiaries (the “Group”) is located at 9th Floor, Kowloon Plaza, No. 485 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Group’s principal activities are the provision of services relating to the sale of air-tickets, hotel accommodation and other travel/wedding related products, provision of package tours, property investment and the investment in treasury activities.

The condensed consolidated interim financial statements for the six months ended 30 September 2016 were approved and authorised for issue by the board of directors (the “Directors”) on 23 November 2016.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 September 2016 have been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial statements are unaudited, but have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2016.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation that have been used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the financial statements for the year ended 31 March 2016, except for the adoption of the new and amended Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations for annual periods beginning on 1 April 2016.

During the interim period, the Group has adopted all the new and amended HKFRSs which are first effective for the reporting period and relevant to the Group. The adoption of these new and amended HKFRSs did not result in material changes to the Group’s accounting policies and the Directors considered that the changes are not material to the Group’s results of operations or financial position.

4. SEGMENT INFORMATION

The executive directors have identified the Group’s operating segments as follows. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	Travel and travel/wedding related business		Rental income from investment property		Treasury activities		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September		30 September	
	2016	2015	2016	2015	2016	2015	2016	2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue								
From external customers	173,167	198,414	1,140	1,094	-	-	174,307	199,508
Reportable segment revenue	173,167	198,414	1,140	1,094	-	-	174,307	199,508
Reportable segment profit/(loss)	7,395	25,282	(5,935)	576	407	511	1,867	26,369
Interest income	580	1,033	-	-	428	452	1,008	1,485
Changes in fair value of investment property	-	-	(6,600)	-	-	-	(6,600)	-
Finance costs	(63)	(17)	(184)	(210)	-	-	(247)	(227)
Dividend income	-	-	-	-	2	68	2	68
Depreciation	(5,279)	(4,594)	(1)	(2)	-	-	(5,280)	(4,596)
Gain on disposal of financial assets/liabilities at fair value through profit or loss	-	-	-	-	133	318	133	318
Fair value loss on financial assets/liabilities through profit or loss	-	-	-	-	(5)	(408)	(5)	(408)



4. SEGMENT INFORMATION (Cont'd)

	Travel and travel/wedding related business		Rental income from investment property		Treasury activities		Total	
	At 30	At	At 30	At	At 30	At	At 30	At
	September	31 March	September	31 March	September	31 March	September	31 March
	2016	2016	2016	2016	2016	2016	2016	2016
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	<u>270,009</u>	<u>300,604</u>	<u>54,055</u>	<u>60,688</u>	<u>22,541</u>	<u>45,969</u>	<u>346,605</u>	<u>407,261</u>
Additions to non-current segment assets during the period/year	<u>5,165</u>	<u>45,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,165</u>	<u>45,459</u>
Reportable segment liabilities	<u>161,361</u>	<u>207,691</u>	<u>16,830</u>	<u>18,028</u>	<u>31</u>	<u>68</u>	<u>178,222</u>	<u>225,787</u>

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the condensed consolidated interim financial statements as follows:

	Six months ended	
	30 September	2015
	2016	2015
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Reportable segment revenue	<u>174,307</u>	<u>199,508</u>
Group revenue	<u>174,307</u>	<u>199,508</u>
Reportable segment profit	<u>1,867</u>	<u>26,369</u>
Share-based payments and other corporate expenses	<u>(370)</u>	<u>(598)</u>
Profit before income tax	<u>1,497</u>	<u>25,771</u>



4. SEGMENT INFORMATION (Cont'd)

	At 30 September 2016 (unaudited) HK\$'000	At 31 March 2016 (audited) HK\$'000
Reportable segment assets	346,605	407,261
Other corporate assets	2,619	4,129
Group assets	349,224	411,390
Reportable segment liabilities	178,222	225,787
Other corporate liabilities	2,040	1,812
Group liabilities	180,262	227,599

The Group's revenue from external customers and its non-current assets are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	Six months ended 30 September 2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000	At 30 September 2016 (unaudited) HK\$'000	At 31 March 2016 (audited) HK\$'000
Hong Kong (domicile)	174,243	199,472	140,761	150,188
The People's Republic of China (the "PRC") excluding Hong Kong	64	36	318	413
	174,307	199,508	141,079	150,601

The geographical location of the non-current assets is based on the physical location of the asset. The country of domicile is determined by referring to the country which the Group regards as its home country, has the majority of operations and centre of management.

Most of the revenue of the Group are derived from Hong Kong. The Group has a large number of customers, and no significant revenue was derived from specific external customers for the periods.



5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue from principal activities as set out in note 1, other income and gains, is as follows:

	Six months ended 30 September	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Revenue		
Service income from sales of travel/wedding related products (note)	144,387	173,435
Sales of package tours (note)	28,780	24,979
Rental income from investment property	1,140	1,094
	174,307	199,508
Other income and gains		
Interest income on deposits in banks and financial institutions stated at amortised cost	580	1,042
Interest income on debt securities	428	443
Dividend income from listed securities	2	68
Exchange gains	–	210
Sundry income	4,151	5,073
	5,161	6,836
Total revenue, other income and gains	179,468	206,344



5. REVENUE, OTHER INCOME AND GAINS (Cont'd)

Note:

Total customer sales proceeds

	Six months ended 30 September	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Gross sales proceeds related to service income*	872,561	986,113
Sales of package tours	28,780	24,979
Total customer sales proceeds	901,341	1,011,092

* The Group's gross sales proceeds from sales of travel/wedding related products, includes the air tickets, hotel accommodation and other travel/wedding related products, are considered as cash collected on behalf of principals as an agent. The gross sales proceeds from these sales, which do not represent revenue, represent the price at which products have been sold inclusive of service fees. The related service income is recorded by the Group on net basis.

6. PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Profit from operations is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment*	5,292	4,596
Loss on disposal of property, plant and equipment	123	61
Changes in fair value of investment property (note 12)	6,600	–
Net foreign exchange loss/(gain)	595	(210)
Operating lease charges in respect of leasehold premises		
— Minimum leases payments	23,926	24,925
— Contingent rents **	34	91
	23,960	25,016



6. PROFIT FROM OPERATIONS (Cont'd)

	Six months ended 30 September	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Operating leases in respect of office equipment	1,098	1,321
Staff costs (including directors' remuneration)		
— Salaries	83,204	91,854
— Retirement scheme contribution	3,608	3,882
— Share-based payment expenses	—	93
	86,812	95,829

* Depreciation expenses have been included in:

- selling and distribution costs of approximately HK\$1,798,000 for the six months ended 30 September 2016 (six months ended 30 September 2015: HK\$1,819,000); and
- administrative expenses of approximately HK\$3,494,000 for the six months ended 30 September 2016 (six months ended 30 September 2015: HK\$2,777,000).

** The contingent rents are determined based on certain percentage of the gross sales of the relevant shops when the sales meet certain specified levels.

7. FINANCE COSTS

	Six months ended 30 September	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Interests on bank borrowings	247	227



8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Current tax — Hong Kong		
— Tax for the period	1,745	5,129
Deferred tax	<u>570</u>	<u>—</u>
	<u>2,315</u>	<u>5,129</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any taxation under the jurisdiction of Cayman Islands and BVI during the six months ended 30 September 2015 and 2016 respectively.

Hong Kong profits tax is calculated at 16.5% (six months ended 30 September 2015: 16.5%) on the estimated assessable profits for the period.

Subsidiaries of the Company established in the PRC is subjected to PRC enterprise income tax at the rate of 25%. No PRC enterprise income tax has been provided as there is no assessable profit arising in the PRC for the period.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company of approximately HK\$898,000 (six months ended 30 September 2015: HK\$22,414,000) and the 513,579,000 (six months ended 30 September 2015: 513,579,000) weighted average number of ordinary shares in issue during the period.

No diluted earnings per share are presented as the exercise prices of the Company's outstanding options were higher than the average market price during the periods.



10. INTERIM DIVIDEND

	Six months ended 30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000

Interim dividend declared	—	7,704
---------------------------	---	-------

No interim dividend was declared for the six months ended 30 September 2016.

The Directors declared an interim dividend of HK1.5 cents per ordinary share for the six months ended 30 September 2015, amounting to approximately HK\$7,704,000.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group incurred capital expenditures of approximately HK\$862,000 (six months ended 30 September 2015: HK\$450,000) in leasehold improvement, approximately HK\$403,000 (six months ended 30 September 2015: HK\$2,272,000) in office equipment, approximately HK\$192,000 (six months ended 30 September 2015: HK\$140,000) in furniture and fixtures, and approximately HK\$336,000 (six months ended 30 September 2015: Nil) in wardrobe.

During the six months ended 30 September 2015, property, plant and equipment amounted to approximately HK\$90,000 were acquired through business combination.

12. INVESTMENT PROPERTY

	30 September 2016	31 March 2016
	(unaudited)	(audited)
	HK\$'000	HK\$'000

At beginning of the period/year	60,600	62,000
Changes in fair value of investment property	(6,600)	(1,400)
At end of the period/year	54,000	60,600



12. INVESTMENT PROPERTY (Cont'd)

The investment property represents property interests held under operating leases to earn rentals or for capital appreciation purposes and the medium term leasehold land in Hong Kong will expire in 2047. The investment property is situated at Yuen Long Town Lot No. 42 and known as Shop D1 on Ground Floor, Fung Hing Building, Nos. 33–35 Yuen Long Hong Lok Road, 36, 40 & 42 Kau Yuk Road, Yuen Long, New Territories, Hong Kong.

The fair value of the Group's investment property as at 30 September 2016 and 31 March 2016 was arrived at on the basis of the valuation carried out as at that date by B.I. Appraisals Limited, an independent qualified professional valuer not connected to the Group. B.I. Appraisals Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experience in the valuation of properties in the relevant location.

The valuation was arrived at using the investment approach by taking into account the current net rents passing of the property being held under existing tenancy and the reversionary potential of the property and by making reference to comparable leasing evidence in the relevant market. The fair value measurement is positively correlated to the market monthly rental rate and negatively correlated to reversionary yield.

	Valuation technique	Significant unobservable inputs	30 September 2016 Range	31 March 2016 Range
Investment property	Investment method	Market monthly rental rate taking into account of individual factors such as location, environment, age, accessibility, floor, size, etc. (HK\$/square feet)	HK\$130 to HK\$352	HK\$206 to HK\$395
		Reversionary yield	2.6% to 3.5%	2.5% to 3.6%

There were no changes to the valuation techniques during the periods.

The fair value measurement is based on the above property's highest and best use, which does not differ from their actual use.



12. INVESTMENT PROPERTY (Cont'd)

The fair value of investment properties is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below.

	2016 HK\$'000
Opening balance (level 3 recurring fair value)	60,600
Changes in fair value of investment property	<u>(6,600)</u>
Closing balance (level 3 recurring fair value)	<u>54,000</u>
Changes in unrealised losses for the period included in profit or loss for the assets held at 30 September	<u>(6,600)</u>

13. TRADE RECEIVABLES

The ageing analysis of trade receivables, based on the invoice dates, is as follows:

	30 September 2016 (unaudited) HK\$'000	31 March 2016 (audited) HK\$'000
0–30 days	10,345	7,736
31–90 days	694	2,004
Over 90 days	<u>341</u>	<u>170</u>
	<u>11,380</u>	<u>9,910</u>

The Group has a policy of allowing customers with credit periods normally within 30 days. Overdue balances are reviewed regularly by the Group's management.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		30 September 2016 (unaudited) HK\$'000	31 March 2016 (audited) HK\$'000
Equity securities held for trading, at fair value, listed in Hong Kong and the PRC	(a)	1,469	951
Debt securities held for trading, at fair value, listed in Hong Kong	(b)	–	19,326
Derivative financial instruments			
— Hang Seng Index future contract	(a)	6	–
— Currency linked investment	(c)	20	–
		<u>1,495</u>	<u>20,277</u>
Total		<u>1,495</u>	<u>20,277</u>

Changes in fair values of financial assets at fair value through profit or loss are recorded as net gain/loss in the consolidated statement of comprehensive income.

Notes:

- (a) Fair values of these investments have been determined by reference to their quoted bid prices at the reporting date.
- (b) The fair values of debt securities are traded on over-the-counter (“OTC”) are determined based on quoted market price available on the OTC market.
- (c) The fair value of currency linked investment is determined based on the exchange rate at the reporting date. The currency linked investment entered into by the Group is not traded on active markets. The valuation is based on the underlying conditions in the contracts and the market information at the valuation date, with the assumptions that there will be no material change in the political, legal, fiscal, technological, market and economic conditions that will materially affect the price of the underlying currencies of the currency linked investment and the interest rates and exchange rates will not differ materially from those of present or expected. As at 30 September 2016, the notional amount of the outstanding currency linked investment was US\$500,000 (31 March 2016: Nil).



14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Cont'd)

The following table presents financial assets measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value are grouped into the fair value hierarchy as follows:

	30 September 2016			Total HK\$'000 (unaudited)
	Level 1 HK\$'000 (unaudited)	Level 2 HK\$'000 (unaudited)	Level 3 HK\$'000 (unaudited)	
Financial assets at fair value through profit or loss				
— Listed equity securities	1,469	—	—	1,469
— Derivatives	6	20	—	26
Total	1,475	20	—	1,495

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Cont'd)

	31 March 2016			
	Level 1	Level 2	Level 3	Total
	HK\$'000 (audited)	HK\$'000 (audited)	HK\$'000 (audited)	HK\$'000 (audited)
Financial assets at fair value through profit or loss				
— Listed debt securities	19,326	—	—	19,326
— Listed equity securities	951	—	—	951
Total	20,277	—	—	20,277

There were no transfers between levels during the period.

15. TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

	30 September 2016 (unaudited) HK\$'000	31 March 2016 (audited) HK\$'000
Cash deposits in banks and financial institutions	44,658	94,079
Short-term deposits in banks	100,156	100,301
	144,814	194,380
Less: Time deposits with an original maturity of more than three months	(70,066)	(80,168)
Cash and cash equivalents	74,748	114,212



16. TRADE PAYABLES

The Group was granted by its suppliers for credit periods normally within 30 days. The ageing analysis of trade payables, based on the invoice dates, is as follows:

	30 September 2016 (unaudited) HK\$'000	31 March 2016 (audited) HK\$'000
0–30 days	72,605	90,195
31–90 days	26,741	34,149
Over 90 days	12,874	15,677
	<u>112,220</u>	<u>140,021</u>

17. BANK BORROWINGS

	Notes	30 September 2016 (unaudited) HK\$'000	31 March 2016 (audited) HK\$'000
Secured bank borrowings			
Portion due for repayment within one year	(a)	3,467	3,436
Portion due for repayment after one year which contain a repayable on demand clause	(a)	<u>18,423</u>	<u>20,162</u>
		21,890	23,598
Secured bank overdraft			
Portion due for repayment within one year	(b)	<u>–</u>	<u>9,975</u>
		<u>21,890</u>	<u>33,573</u>



17. BANK BORROWINGS (Cont'd)

Notes:

- (a) The Group's interest-bearing bank borrowing of approximately HK\$1,055,000 (31 March 2016: HK\$1,330,000) bears interest at a floating rate of 1.75% per annum over 1 month HIBOR; and interest-bearing bank borrowing of approximately HK\$4,585,000 (31 March 2016: HK\$4,812,000) bears interest at a floating rate of 2.15% per annum below HKD prime are secured by the Group's land and buildings of approximately HK\$68,880,000 (31 March 2016: HK\$70,164,000) as at 30 September 2016.

The Group's interest-bearing bank borrowing of approximately HK\$16,250,000 (31 March 2016: HK\$17,456,000) bears interest at a floating rate of 2.85% per annum below HKD prime and is secured by the Group's investment property of approximately HK\$54,000,000 (31 March 2016: HK\$60,600,000) as at 30 September 2016 (note 12).

The current liabilities include bank borrowings of approximately HK\$18,423,000 (31 March 2016: HK\$20,162,000) that are not scheduled for repayment within one year. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion.

The Group's interest-bearing bank borrowings are secured by the corporate guarantees or cross-guarantees provided by the Company and/or certain subsidiaries as at 31 March and 30 September 2016.

- (b) As at 31 March 2016, the Group's bank overdraft of approximately HK\$9,975,000 bears interest at a floating rate of 2.00% per annum over 1 month HIBOR were secured by the Group's land and buildings of approximately HK\$70,164,000 as at 31 March 2016. The bank overdraft has been fully repaid during the period.



18. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 March 2016, 1 April 2016 and 30 September 2016	2,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 31 March 2016, 1 April 2016 and 30 September 2016	513,579	5,136

19. COMMITMENTS

Operating lease commitments

As lessee

The Group leases certain premises and office equipment under operating lease commitments for terms ranging from one to three years. Certain leases contain an option to renew the lease and renegotiate the terms at the expiry dates or at dates mutually agreed between the Group and the landlords. In addition to the fixed rentals, pursuant to the terms of certain rental agreements, the Group has to pay a rental based on certain percentage of the gross sales proceeds of the relevant shop when the sales meet certain specified level.



19. COMMITMENTS (Cont'd)

Operating lease commitments (Cont'd)

As lessee (Cont'd)

At the end of the periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2016 (unaudited) HK\$'000	31 March 2016 (audited) HK\$'000
Buildings:		
Within one year	39,544	39,114
In the second to fifth years, inclusive	24,315	21,720
	63,859	60,834
Other assets:		
Within one year	641	600
In the second to fifth years, inclusive	200	500
	841	1,100



19. COMMITMENTS (Cont'd)

As lessor

The Group's investment property is leased to tenant under operating lease. At the end of the period, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	30 September 2016 (unaudited) HK\$'000	31 March 2016 (audited) HK\$'000
— Within one year	1,520	2,280
— In the second to fifth years, inclusive	—	380
	<u>1,520</u>	<u>2,660</u>

Capital commitment

As at 30 September 2016, the Group's commitments in respect of capital expenditure were contracted but not provided for the acquisition of property, plant and equipment of approximately HK\$869,000 (31 March 2016: Nil).

20. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the condensed consolidated interim financial statements, the following transactions were carried out by the Group with related parties during the periods.

(a) Significant related party transactions during the periods

	Six months ended 30 September 2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Rental expenses paid to related companies	<u>1,215</u>	<u>1,162</u>



20. RELATED PARTY TRANSACTIONS (Cont'd)

(a) Significant related party transactions during the periods (Cont'd)

	At 30 September 2016 (unaudited) HK\$'000	At 31 March 2016 (audited) HK\$'000
Rental deposit paid to related companies included in prepayments, deposits and other receivables	586	668

Note:

The terms of the above transactions are mutually agreed by the Group and the related companies. The Directors are of the opinion that the terms were made in the ordinary course of business on normal commercial basis.

(b) Compensation of key management personnel

Total remuneration of the Group's directors and other members of key management personnel during the periods were as follows:

	Six months ended 30 September 2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Short term employee benefits	2,527	2,931
Retirement scheme contribution	36	36
	2,563	2,967