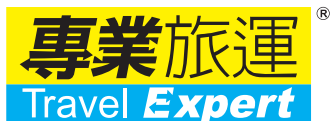


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Travel Expert (Asia) Enterprises Limited
專業旅運(亞洲)企業有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1235)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2017**

FINANCIAL HIGHLIGHTS

- Total customer sales proceeds for the year was HK\$1,757.1 million, representing a decrease of 7.7% from HK\$1,903.2 million for the last year.
- Revenue for the year was HK\$344.2 million, representing a decrease of 11.2% from HK\$387.5 million for the last year.
- Excluding the revaluation loss of property and non-controlling interest, the profit for the year was HK\$8.9 million, representing a decrease of 73.0% from HK\$33.0 million for the last year.
- Overall, the Group's loss for the year was HK\$1.5 million, representing a decrease of 104.8% from the profit of HK\$31.0 million for the last year.
- Loss per share attributable to owners of the Company for the year was HK0.1 cent, representing a decrease of 101.6% from the earnings per share of HK6.1 cents for the last year.
- Final dividend of HK2.0 cents per ordinary share is proposed for the year ended 31 March 2017 (2016: HK2.7 cents).

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Travel Expert (Asia) Enterprises Limited (the "Company") presents the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2017 together with comparative figures.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Revenue	4	344,169	387,537
Cost of sale		<u>(65,909)</u>	<u>(57,596)</u>
Gross profit		278,260	329,941
Other income and gains	4	16,227	16,782
Changes in fair value of investment property	10	(9,600)	(1,400)
Selling and distribution costs		(209,967)	(236,051)
Administrative expenses		(71,923)	(72,000)
(Loss)/gain on disposal of financial assets/ liabilities at fair value through profit or loss		(685)	81
Fair value loss on financial assets/liabilities at fair value through profit or loss		<u>(106)</u>	<u>(624)</u>
Profit from operations	5	2,206	36,729
Finance cost	6	<u>(515)</u>	<u>(481)</u>
Profit before income tax		1,691	36,248
Income tax expense	7	<u>(3,225)</u>	<u>(5,210)</u>
(Loss)/profit for the year		(1,534)	31,038
Other comprehensive income, that may be reclassified subsequently to profit or loss			
Exchange difference on translation of financial statements of overseas subsidiaries		<u>(265)</u>	<u>(164)</u>
Other comprehensive income for the year, net of tax		<u>(265)</u>	<u>(164)</u>
Total comprehensive income for the year		<u>(1,799)</u>	<u>30,874</u>

	<i>Notes</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
(Loss)/profit for the year attributable to:			
Owners of the Company		(688)	31,585
Non-controlling interests		(846)	(547)
		<u>(1,534)</u>	<u>31,038</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		(953)	31,421
Non-controlling interests		(846)	(547)
		<u>(1,799)</u>	<u>30,874</u>
(Loss)/earnings per share attributable to owners of the Company			
— Basic	9	HK(0.1) cents	HK6.1 cents
— Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	<i>Notes</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		76,776	82,825
Investment property	<i>10</i>	51,000	60,600
Goodwill		445	445
Deposits	<i>12</i>	7,385	6,731
		<u>135,606</u>	<u>150,601</u>
Current assets			
Inventories		2,336	1,978
Trade receivables	<i>11</i>	7,289	9,910
Prepayments, deposits and other receivables	<i>12</i>	33,284	30,612
Financial assets at fair value through profit or loss		2,007	20,277
Prepaid tax		4,112	3,325
Pledged deposits		2,367	307
Time deposits over three months		130,195	80,168
Cash and cash equivalents		42,314	114,212
		<u>223,904</u>	<u>260,789</u>
Current liabilities			
Trade payables	<i>13</i>	110,835	140,021
Accrued charges, deposits received and other payables		50,904	53,347
Bank borrowings	<i>14</i>	25,982	33,573
Financial liabilities at fair value through profit or loss		–	31
Provision for tax		763	627
		<u>188,484</u>	<u>227,599</u>
Net current assets		<u>35,420</u>	<u>33,190</u>
Total assets less current liabilities		<u>171,026</u>	<u>183,791</u>

	<i>Notes</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities	7	<u>797</u>	<u>–</u>
		<u>797</u>	<u>–</u>
Net assets		<u>170,229</u>	<u>183,791</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	5,136	5,136
Reserves		<u>166,630</u>	<u>181,450</u>
		171,766	186,586
Non-controlling interests		<u>(1,537)</u>	<u>(2,795)</u>
Total equity		<u>170,229</u>	<u>183,791</u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 March 2017

1. GENERAL INFORMATION

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, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of 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 "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries 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 investment in treasury activities.

2. BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 March 2017 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements also include the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules").

3. ADOPTION OF NEW AND REVISED HKFRSS

(a) Adoption of new and revised HKFRSs — effective 1 April 2016

In the current year, the Group has for the first time applied the following amendments issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2016.

HKFRSs (Amendments)	Annual improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
HKFRS 14	Regulatory Deferral Accounts

The adoption of these amendments has no material impact on the Group's consolidated financial statements.

(b) New and revised HKFRSs that have been issued but are not yet effective

The following new and revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKAS 40	Transfers of Investment Property ²
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions ²
HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKAS 15	Revenue from Contracts with Customers (Clarification of HKFRS 15) ²
HKFRS 16	Leases ³

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

Amendments to HKAS 40 — Transfers of Investment Property

The amendments require a property be transferred to, or from, investment property only when there is a change in use. The amendments clarify that a change in management's intentions for the use of a property does not in isolation provide evidence of a change in use.

Amendments to HKFRS 2 — Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 — Revenue from Contracts with Customers (Clarification to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

4. REVENUE, OTHER INCOME AND GAINS, AND SEGMENT INFORMATION

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 investment in treasury activities. An analysis of the Group's revenue from principal activities, other income and gains is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue		
Service income from sales of travel/wedding related products (<i>note</i>)	269,438	319,698
Sales of package tours (<i>note</i>)	72,451	65,605
Rental income from investment property	2,280	2,234
	<u>344,169</u>	<u>387,537</u>
Other income and gains		
Interest income on deposits in banks and financial institutions stated at amortised cost	1,196	1,587
Interest income on debt securities	416	945
Dividend income from listed securities	2	83
Exchange gains	762	255
Sundry income	13,851	13,912
	<u>16,227</u>	<u>16,782</u>
Total revenue, other income and gains	<u>360,396</u>	<u>404,319</u>

Note:

Total customer sales proceeds

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Gross sales proceeds related to service income*	1,684,692	1,837,551
Sales of package tours	72,451	65,605
Total customer sales proceeds	<u>1,757,143</u>	<u>1,903,156</u>

* 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 a principal 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.

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	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue								
From external customers	<u>341,889</u>	<u>385,303</u>	<u>2,280</u>	<u>2,234</u>	<u>-</u>	<u>-</u>	<u>344,169</u>	<u>387,537</u>
Reportable segment revenue	<u>341,889</u>	<u>385,303</u>	<u>2,280</u>	<u>2,234</u>	<u>-</u>	<u>-</u>	<u>344,169</u>	<u>387,537</u>
Reportable segment profit/(loss)	<u>11,952</u>	<u>38,729</u>	<u>(8,233)</u>	<u>(155)</u>	<u>(481)</u>	<u>333</u>	<u>3,238</u>	<u>38,907</u>
Interest income	1,181	1,565	-	-	431	967	1,612	2,532
Changes in fair value of investment property	-	-	(9,600)	(1,400)	-	-	(9,600)	(1,400)
Finance cost	(163)	(77)	(352)	(404)	-	-	(515)	(481)
Dividend income	-	-	-	-	2	83	2	83
Depreciation	(10,285)	(9,871)	(1)	(4)	-	-	(10,286)	(9,875)
Written off of property, plant and equipment	-	(474)	-	-	-	-	-	(474)
Bad debts written off	-	(50)	-	-	-	-	-	(50)
(Loss)/gain on disposal of financial assets/ liabilities at fair value through profit or loss	-	-	-	-	(685)	81	(685)	81
Fair value loss on financial assets/liabilities at fair value through profit or loss	-	-	-	-	(106)	(624)	(106)	(624)
Reportable segment assets	<u>286,060</u>	<u>300,604</u>	<u>51,123</u>	<u>60,688</u>	<u>17,385</u>	<u>45,969</u>	<u>354,568</u>	<u>407,261</u>
Additions to non-current segment assets during the year	<u>5,750</u>	<u>45,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,750</u>	<u>45,459</u>
Reportable segment liabilities	<u>171,341</u>	<u>207,691</u>	<u>15,600</u>	<u>18,028</u>	<u>33</u>	<u>68</u>	<u>186,974</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 consolidated financial statements as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Reportable segment revenue	<u>344,169</u>	<u>387,537</u>
Group revenue	<u>344,169</u>	<u>387,537</u>
Reportable segment profit	3,238	38,907
Share-based payments and other corporate expenses	<u>(1,547)</u>	<u>(2,659)</u>
Profit before income tax	<u>1,691</u>	<u>36,248</u>
Reportable segment assets	354,568	407,261
Other corporate assets	<u>4,942</u>	<u>4,129</u>
Group assets	<u>359,510</u>	<u>411,390</u>
Reportable segment liabilities	186,974	225,787
Other corporate liabilities	<u>2,307</u>	<u>1,812</u>
Group liabilities	<u>189,281</u>	<u>227,599</u>

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

	Revenue from external customers		Non-current assets	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong (domicile)	344,073	387,491	135,399	150,188
The People's Republic of China (the "PRC") excluding Hong Kong	<u>96</u>	<u>46</u>	<u>207</u>	<u>413</u>
	<u>344,169</u>	<u>387,537</u>	<u>135,606</u>	<u>150,601</u>

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 years ended 31 March 2016 and 2017.

5. PROFIT FROM OPERATIONS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit from operations is arrived at after charging:		
Depreciation of property, plant and equipment*	10,361	9,890
Loss on disposal of property, plant and equipment	330	168
Written off of property, plant and equipment	–	474
Bad debts written off	–	50
Changes in fair value of investment property (<i>note 10</i>)	9,600	1,400
Operating leases in respect of leasehold premises:		
— Minimum leases payments	45,701	46,671
— Contingent rents**	62	91
	45,763	46,762
Operating leases in respect of office equipment	2,586	2,744
Staff costs (excluding directors' remuneration):		
— Salaries	157,598	171,980
— Retirement scheme contribution	6,951	7,553
— Share-based payments expenses	–	141
	164,549	179,674

* Depreciation expenses have been included in:

- selling and distribution costs of approximately HK\$3,600,000 for the year (2016: HK\$3,717,000); and
- administrative expenses of approximately HK\$6,761,000 for the year (2016: HK\$6,173,000).

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

6. FINANCE COST

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on bank borrowings	515	481

7. INCOME TAX EXPENSE AND DEFERRED TAX

(i) The amounts of income tax in the consolidated statement of comprehensive income represent:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax — Hong Kong		
Tax for the year	2,637	5,929
Over provision in respect of prior years	(209)	(719)
	2,428	5,210
Deferred tax (<i>note</i>)	797	–
	3,225	5,210

Hong Kong profits tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits.

Subsidiaries of the Company established in the PRC are subjected to PRC enterprise income tax at the rate of 25%. No PRC enterprise income tax has been provided as the assessable profit for the year was fully set-off by tax losses brought forward from prior years.

Note:

Details of the deferred tax liabilities recognised and movements during the year are as follows:

	Accelerated tax depreciation <i>HK\$'000</i>
At 1 April 2016	–
Charged to profit or loss for the year	797
At 31 March 2017	797

As at 31 March 2017, the Group has estimated unused tax losses of approximately HK\$20,882,000 (2016: HK\$16,783,000) which were available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams. The amount of tax losses of approximately HK\$20,882,000 have no expiry date (2016: HK\$16,368,000) and Nil (2016: approximately HK\$415,000) are subject to expiry period of five years.

8. DIVIDEND

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Proposed final dividend	10,272	13,867

The dividends approved and declared during the year are summarised as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Final dividend proposed in the previous year	13,867	17,462
Interim dividend declared during the year	–	7,704
	<u>13,867</u>	<u>25,166</u>

The directors recommend a final dividend of HK2.0 cents (2016: HK2.7 cents) per ordinary share for the year ended 31 March 2017, amounting to approximately HK\$10,272,000 (2016: HK\$13,867,000) which is subject to approval by the shareholders in the forthcoming annual general meeting. The proposed dividend is not reflected as a dividend payable in these financial statements, but reflected as an appropriation of retained profits for the year.

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss for the year attributable to owners of the Company of approximately HK\$688,000 (2016: profit for the year attributable to owners of the Company of approximately HK\$31,585,000) and 513,579,000 (2016: 513,579,000) weighted average number of ordinary shares in issue during the year.

No diluted earnings per share is presented for the year ended 31 March 2016 as the exercise price of the Company's outstanding options was higher than the average market price for the year.

No diluted loss per share is presented for the year ended 31 March 2017 as the exercise price of the Company's outstanding options was higher than the average market price when those options are outstanding.

10. INVESTMENT PROPERTY

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At beginning of the year	60,600	62,000
Changes in fair value of investment property (<i>note 5</i>)	(9,600)	(1,400)
At end of the year	<u>51,000</u>	<u>60,600</u>

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 31 March 2017 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.

11. TRADE RECEIVABLES

The Directors of the Group consider that the fair values of trade receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The ageing analysis of trade receivables, based on the invoice dates, as at the end of each of the year, net of impairment provision, is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0–30 days	6,121	7,736
31–90 days	1,008	2,004
Over 90 days	160	170
	<u>7,289</u>	<u>9,910</u>

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

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Prepayments	5,602	3,230
Deposits	19,425	20,483
Other receivables	13,538	13,630
Amount due from an non-controlling interest (<i>note</i>)	2,104	–
	<u>40,669</u>	<u>37,343</u>
Classified as:		
Non-current assets	7,385	6,731
Current assets	33,284	30,612
	<u>40,669</u>	<u>37,343</u>

Note: The amount due from an non-controlling interest, representing capital injection receivable from the non-controlling interest of TE Nice Tour (Shenzhen) Limited, is unsecured, interest-free and repayable on demand.

13. TRADE PAYABLES

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0–30 days	70,793	90,195
31–90 days	30,978	34,149
Over 90 days	9,064	15,677
	<u>110,835</u>	<u>140,021</u>

The trade payables are short-term and hence the carrying values of the Group's trade payables are considered to be a reasonable approximation of fair value.

14. BANK BORROWINGS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Secured bank borrowings		
Portion due for repayment within one year	4,098	3,436
Portion due for repayment after one year which contains a repayable on demand clause	21,884	20,162
	25,982	23,598
Secured bank overdraft		
Portion due for repayment within one year	–	9,975
	25,982	33,573

The Group's interest-bearing bank borrowing of approximately HK\$780,000 (2016: HK\$1,330,000) bears interest at a floating rate of 1.75% per annum over 1 month HIBOR; interest-bearing bank borrowing of approximately HK\$4,355,000 (2016: HK\$4,812,000) bears interest at a floating rate of 2.15% per annum below HKD prime; interest-bearing bank borrowing of approximately HK\$5,820,000 (2016: Nil) bears interest at a floating rate of 1.60% per annum over HIBOR with capped rate of 2.90% per annum below HKD prime; and bank overdraft of Nil (2016: approximately HK\$9,975,000) bears interest at a floating rate of 2.00% per annum over 1 month HIBOR are secured by the Group's land and buildings of approximately HK\$67,596,000 (2016: HK\$70,164,000) as at 31 March 2017.

The Group's interest-bearing bank borrowing of approximately HK\$15,027,000 (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\$51,000,000 (2016: HK\$60,600,000) as at 31 March 2017 (note 10).

The current liabilities include bank borrowings of approximately HK\$21,884,000 (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.

15. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	2,000,000	20,000
	Number of shares '000	Amount HK\$'000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	513,579	5,136

DIVIDEND

The Directors recommended the payment of a final dividend of HK2.0 cents (2016: HK2.7 cents) per ordinary share for the year ended 31 March 2017 to shareholders whose names appear on the register of members of the Company at the close of business on 28 August 2017. Subject to the approval by the shareholders at the forthcoming annual general meeting (“AGM”), the dividend cheques are expected to be despatched to shareholders on or around 8 September 2017.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from 11 August 2017 to 16 August 2017, both days inclusive, for the purpose of determining the shareholders’ entitlement to attend and vote at the AGM scheduled to be held on 16 August 2017. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company’s Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (the “Branch Share Registrar”) not later than 4:30 p.m. on 10 August 2017.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The register of members of the Company will be closed from 24 August 2017 to 28 August 2017, both days inclusive, for the purpose of determining the shareholders’ entitlement to the proposed final dividend for the year ended 31 March 2017. In order to qualify for the proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged with the Branch Share Registrar not later than 4:30 p.m. on 23 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the year ended 31 March 2017, facing the general downward adjustment in Hong Kong retail property market as well as challenging retail business environment and stiff online competition, the Group recorded a loss of HK\$1.5 million which including a revaluation loss of HK\$9.6 million in our investment property. The Group’s total customer sales proceeds was HK\$1,757.1 million, representing a decrease of 7.7% as compared with HK\$1,903.2 million for the previous year. The total revenue for the year decreased to HK\$344.2 million (2016: HK\$387.5 million), representing a decrease of 11.2% from the previous year. The drop in business performance was due to the persistent weakened retail market in Hong Kong dampened consumer spending in travel. Besides, the intensified competition from online travel agencies and airline and accommodation booking websites caused considerable decrease in revenue and profit.

Excluding the revaluation loss of property and non-controlling interests, the profit for the year attributable to owners of the Company had a decrease of 73.0% to HK\$8.9 million (2016: HK\$33.0 million). Overall, the Group's loss for the year was HK\$1.5 million, representing a decrease of 104.8% from the profit of HK\$31.0 million in the previous last year. Loss per share attributable to owners of the Company for the year was HK0.1 cents, representing a decrease of 101.6% from the earning per share of HK6.1 cents over the previous year. The Board recommends the payment of a final dividend of HK2.0 cents (2016: HK2.7 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 year, the performance was not satisfactory and recorded a drop in both customer sales proceeds and margin percentage. The persistent weakened retail market caused more cautious consumer sentiment and adversely affected travel spending. In addition, the keen competition from online travel agencies and booking websites presented a direct threat on the revenue and profit margin. In response to the challenging operating environment, the management continued to streamline its branch network in order to reduce operational costs and improve productivity of this business brand. On the other hand, we adopted flexible marketing strategy and launched different promotion programs to drive sales growth. Also, we improved product offerings to capture more customers of different life styles and preferences. During the year, its website was revamped with an aim to enhance customers' website surfing experience. In May 2017, a membership program "JETSO Plus" was launched to promote customer loyalty and build up membership database.

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 year, it opened two new shops at Yuen Long Yoho Mall in September 2016 and Mongkok Wing Lung Bank Centre in October 2016. 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 themed products.

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. We are working on some measures to improve its business performance while at the same time, 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). During the year, its business performance was fairly stable. The performance of this business line was inevitably affected by the continuous tightening of corporate travel policies and reduced business travel of corporate customers. Therefore, this business line reallocated resources to develop the MICE (meeting, incentive, conference and exhibition) businesses for small and medium sized organizations like school tours in summer holiday and incentive trips for insurance agents. 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 businesses. During the year, we allocated extra resources to increase its purchase with premium airlines and award-winning carriers that offering high standards of services and cabin facilities. It also focused on enhancing its publicity by launching various tours with promotional prices. Comparing to the previous year, its sales volume recorded a considerable increase. We are confident that all our perseverance and efforts will lead to the achievements of its business growth and the establishment of brand name in the near future. Now, it has three retail shops at Tsimshatsui Han Chung Mansion, Causeway Bay Hang Lung Centre and Central Grand Building.

During the year, the business of cruise holidays operated by Cruise Expert Limited (專業郵輪有限公司) ("Cruise Expert") continued to record a strong increase in the sales result. The encouraging result from this business brand indicated an accelerating demand for cruise products which shall be a high business growth area in the coming years. Therefore, the company committed more resources to establish new agency relationship with various cruises companies and organize more promotional programs for the cruise products.

The Group's wedding related business is conducted by Take My Hand Limited (緣動有限公司) ("Take My Hand"). During the year, it recorded a stable business growth. In May 2016, the business was granted a Travel Agents Licence which enabled it to offer one-stop wedding services and products including wedding planning services, event management, overseas wedding and travelling arrangements. With a view to expanding business, it has increased the headcount of frontline sales team. To promote its business and brand name, it will continue to launch marketing activities vigorously and participate in exhibitions. Furthermore, the management is active to solicit new overseas suppliers on wedding products in order to enrich its product offering at a competitive price.

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"). The performance of this segment recorded a loss due to the volatile financial market in the year. 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 year ended 31 March 2017, selling and distribution costs amounted to HK\$210.0 million, representing a decrease of 11.1% from HK\$236.1 million for the previous year. The selling and distribution costs accounted for 75.5% of the Group's total gross profit, having increased from 71.5% in the last year.

The decrease of selling and distribution cost was mainly due to reduction of frontline staff cost that was contributed by the reduction of frontline headcounts and less sales commission expenses and other staff costs. Also, there was a moderate decrease of the average rental of retail premises. During the year, we streamlined 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. We will put continuing efforts in exploring new sales channels as well. As at 31 March 2017, the Group operated a total of 56 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 year ended 31 March 2017, administrative expenses amounted to HK\$71.9 million, representing a decrease of 0.1% from HK\$72.0 million for the last year. Administrative expenses accounted for 25.8% of the Group's total gross profit, which increased from 21.8% in the 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 year was maintained at a similar level as the last year although we committed to allocating extra resources for the new business lines development and various IT projects as well as 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 year was HK\$515,000, which was mainly related to the interest-bearing bank borrowing of mortgage loans for the Group's properties (2016: HK\$481,000).

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 31 March 2017 remained healthy with net assets value of HK\$170.2 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\$172.5 million as at 31 March 2017 (as at 31 March 2016: HK\$194.4 million). As at 31 March 2017, in addition to an investment property with fair value at HK\$51.0 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\$2.0 million and nil respectively (as at 31 March 2016: HK\$20.3 million and HK\$31,000 respectively).

As at 31 March 2017, the Group's current ratio (current assets divided by current liabilities) was 1.19 times compared with 1.15 times as at 31 March 2016. The gearing ratio (interest-bearing borrowings divided by total equity) was 15.3% 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 31 March 2017.

Capital Commitments

As at 31 March 2017, the Group's commitments in respect of capital expenditure were contracted but not provided for the acquisition of property, plant and equipment of approximately HKD268,000 (as at 31 March 2016: Nil).

Pledge of Assets

As at 31 March 2017, the Group had outstanding bank loans amounting in total of HK\$26.0 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 year ended 31 March 2017, a net foreign exchange gain of approximately HK\$762,000 was recorded (2016: exchange gain of HK\$255,000).

Human Resources and Employee's Remuneration

As at 31 March 2017, the Group had a total workforce of 588 (as at 31 March 2016: 671), of which about 67.4% were frontline 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 year ended 31 March 2017.

OUTLOOK

We expect that the retail market in Hong Kong will not have a big rebound in the coming year and the consumer confidence will remain sluggish that will negatively affect outbound travel. The competition from online travel agencies and booking websites also continue to exert tremendous pressure on the Group's business.

In respond to the challenging operating environment, we will strengthen our FIT business under the brand name of "Travel Expert" which has established strong brand name throughout the years. The Group will continue to leverage our strength in retail business as well as large frontline sales team to strive for business growth through our quality customer service and diversified travel products offering. With our vast experience and a long proven track record, we deliver services that specifically suite for customers individual needs and travel plans. To cope with the future challenges, the Group will adjust its development strategies to adapt the changing market through business diversification, branch network improvement and product portfolio adjustment. Furthermore, to accomplish our goal of providing one-stop travel solutions to customers, our branch network is selling cruise holidays, packaged tours and other travel related products in addition to traditional FIT products.

The establishment of Premium Holidays plays an important part of our business diversification which also evidences our determination in tapping into tour operation. We have been making sustained efforts to develop this business line. With its high quality of tour products and services, coupled with word of mouth and our ongoing publicity efforts, this business recorded a strong growth in sales volume in the year. We have no doubt to say that it will continue to increase product launches and enhance its market awareness by launching more tours with promotional prices. With a view to increase its sales and customer volume, we will launch different incentive programs to boost the frontline sales.

In today's rapidly changing market trend and shopping habits, online sales channel is becoming an indispensable part of a business. As such, we have been committing substantial resources in our Shenzhen IT team to undertake various Group's IT projects and initiatives for technological advancements. One of the projects is the development of our new online trading platform, which is expected to be launched by the end of 2017. With this new trading platform and the Group's widespread branch network, our capabilities will be expanded, thereby enhancing our competitive edge in the market.

In short, the year ahead will be full of challenges. The Group will strive to maintain the sales turnover and profitability, strengthen the developing business lines and speed up the progress of IT projects. We believe that the dedication and commitment of the management team and staff will continue to execute our business plan to position all our businesses for sustained growth into the future.

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

During the year ended 31 March 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the year ended 31 March 2017, 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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed and discussed with the management and the Company's external auditors the annual results of the Group for the year ended 31 March 2017.

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 for the year ended 31 March 2017.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement of the Group for the year ended 31 March 2017 is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.tegroup.com.hk. The annual report will be published on the same websites and dispatched to shareholders in due course.

By order of the Board
Travel Expert (Asia) Enterprises Limited
Ko Wai Ming, Daniel
Chairman

Hong Kong, 23 June 2017

As at the date of this announcement, the Executive Directors of the Company are Mr. Ko Wai Ming, Daniel, Ms. Cheng Hang Fan, Mr. Kam Tze Ming, Alfred and Mr. Chan Wan Fung; and the Independent Non-executive Directors of the Company are Mr. Mak King Sau, Mr. Szeto Chi Man and Mr. Yung Ha Kuk, Victor.