

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)



17 Tuesday
Interim Report
2017/2018

專業旅運[®]
Travel **Expert**



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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

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Lai Chi Kok

Kowloon

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

SMP Partners (Cayman) Limited

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Grand Cayman KY1-1110

Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Hong Kong

COMPANY WEBSITE

www.tegroup.com.hk

STOCK CODE

The Stock Exchange of Hong Kong Limited:
1235

FINANCIAL HIGHLIGHTS

| | Notes | Six months ended 30 September | | Change |
|--|-------|----------------------------------|------------------|--------|
| | | 2017 HK\$'000 | 2016 HK\$'000 | |
| Profitability | | | | |
| Total customer sales proceeds | | 815,127 | 901,341 | -9.6% |
| Revenue | | | | |
| – Service income from sales of travel/wedding related products | | 119,909 | 144,387 | -17.0% |
| – Sales of package tours | | 41,892 | 28,780 | +45.6% |
| – Rental income from investment property | | 380 | 1,140 | -66.7% |
| | | 162,181 | 174,307 | -7.0% |
| (Loss)/profit attributable to owners of the Company | | (2,960) | 898 | |
| (Loss)/earnings per share | | | | |
| – Basic (HK cents) | 1 | (0.6) | 0.2 | |

Financial ratio

| | | | |
|----------------------|---|--------------|-------|
| Return on equity (%) | 2 | -1.9% | 0.5% |
| Current ratio (time) | 3 | 1.06 | 1.16 |
| Gearing ratio (%) | 4 | 15.4% | 13.0% |

Notes:

- The calculation of the basic (loss)/earnings per share is based on 513,579,000 (2016: 513,579,000) weighted average number of ordinary shares in issue during the period.
- Return on equity is calculated based on the (loss)/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%.
- Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the period.
- 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 2017, the operating environment continued to be very challenging. As indicated in the profit warning announcement issued by the Company on 17 October 2017, due to unfavourable market conditions and intense price competition, the Group's overall results for the period under review recorded a loss of HK\$4.0 million as compared with the loss of HK\$0.8 million for the corresponding period last year.

As reported previously, we are working hard on the development of a new online trading platform in order to address challenges from online travel agencies and booking websites of airlines and hotels. The first phase of this new platform has been launched in October 2017. To improve the customer shopping experience, further enhancements will be carried out. Besides, a new mobile app has been developed and launched in November 2017 to further enhance interaction with customers.

Besides, we firmly believe that the services provided by our travel consultants in the physical stores are irreplaceable. We will focus on the value-added services including trip planning and other customer services, such as repeated and last minute change of itinerary, MICE (meeting, incentive, conference and exhibition) trips etc. that can fit customers' unique travel needs. To cater for different customer travelling preferences, we strengthened our competitiveness by establishing different business lines to enrich our product portfolio. We expect that our diversified services will allow us to maintain personal contact with our customers which will eventually drive sales growth. Together with the Group's membership reward scheme "JETSO Plus", we can better serve our customers, thereby expand our customer base and reinforce customer loyalty.

Looking ahead, we will strenuously realign our business operations, consolidate branch network and increase shop productivity in order to improve operational and cost efficiency. Restructuring of the sales management team will allow us to streamline our cost structure and improve productivity. Leveraging on the solid foundation and experience, the Group is committed to improving the operation efficiency, while working on strategies to adapt to the changing market conditions and consumption patterns. We will continue to strengthen our core FIT business by enhancing the product mix and services. We have taken decisive steps to implement business diversification strategy to establish different business lines to provide a wide variety of products and services. Continuing marketing efforts will be used



to enhance the brand awareness of these new business lines so that they can contribute to the profit margin of the Group. Last but not least, in early 2018, we will move all our separate back offices in Hong Kong to one location in order to enhance our internal communication and achieve a better working efficiency across different business lines. We believe this action will support our future business growth.

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, 22 November 2017



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the six months ended 30 September 2017 (the “Period”), as indicated in the profit warning announcement issued by the Company on 17 October 2017, the Group recorded a loss for the Period. The Group’s total customer sales proceeds was HK\$815.1 million for the Period, representing a decrease of 9.6% as compared with HK\$901.3 million for the corresponding period last year. The total revenue for the Period decreased to HK\$162.2 million (2016: HK\$174.3 million), representing a decrease of 6.9% over the corresponding period last year. The drop in the business performance was mainly due to decrease of revenue from retail FIT (Free Independent Travellers) business which was negatively impacted by the intensified competition from online travel agencies (“OTA”) and airline and accommodation booking websites (“Booking Websites”).

Due to recovery in Hong Kong retail property market during the Period, the Group recorded a revaluation gain of HK\$4 million in our investment property. Besides, there was a gain of HK\$1.6 million arising from acquisition of an associate representing excess of the investor’s share of the net fair value of the associate’s identifiable assets and liabilities over the cost of the investment. Excluding such two items and non-controlling interests, the loss for the Period attributable to owners of the Company was HK\$8.6 million (2016: profit attributable to owners of the Company of HK\$7.5 million). Overall, the Group’s loss for the Period was HK\$4.0 million, representing a decrease of bottom line from the loss of HK\$0.8 million for the corresponding period last year. Loss per share attributable to owners of the Company for the Period was HK0.6 cents, representing a decrease of performance from the earnings per share of HK0.2 cents for the corresponding period last year. The Board has resolved not to declare an interim dividend for the Period (2016: Nil).

BUSINESS REVIEW

The Group’s retail FIT 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 of this business line was not satisfactory and recorded a drop in both customer sales proceeds and profit margin. The continuous keen competition from OTA and Booking Websites presented a direct threat on the business. To strengthen its competitiveness and improve the operation efficiency, we have restructured the sales management team and the new sales management structure will be effective in December 2017. In addition, the management continued to streamline the branch network of this business line to reduce operational costs and improve productivity. We also adopted flexible marketing strategy and launched different promotion programs to drive its sales growth. A new TV advertising commercial with key message on “customer service” was launched a few months ago. We enhanced the service quality and product offerings to adapt to the changing market and customer preferences.




As mentioned in the Company's Annual Report 2017, we have been working hard on the redevelopment of a new online trading platform "Texpert.com". The first phase of this new platform has been launched in October 2017. To improve customer shopping experience and operational efficiency, further enhancements on this platform are being undertaken and a mobile app was launched in November 2017 in order to boost the sales revenue through online sales channel. For the Period, the contribution from online business is still minimal.

The Group's corporate business is operated mainly through Travel Expert Business Services Limited (專業旅運商務有限公司). To achieve further business growth, this business line allocated resources to develop 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. Also, a new business unit using the profit sharing model was established since August 2017 in order to attract self-employed senior travel consultants to provide professional corporate travel services to customers. The Group has taken appropriate measures to tackle the changing market environment in the corporate travel business.

The Group's tour operation is conducted by Premium Holidays Limited (尊賞假期有限公司) ("Premium Holidays") with focus on operating high-end long haul tour business. During the Period, we allocated extra resources to increase its purchase from premium airlines and award-winning carriers that offering high standards of services and cabin facilities. It also enhanced its publicity by launching various tours with promotional prices. Besides, we boosted its sales performance successfully through the sales network of Travel Expert. With its high quality of tour products and services, coupled with word of mouth and our ongoing publicity efforts, it recorded a strong growth in sales and customer volume in the Period. The Group remains firmly committed to the development of this business.

During the Period, 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 growth in the sales volume. 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 Group committed more resources to establish new agency relationship with various cruises companies and organize more promotional programs for the cruise products. In October 2017, it chartered half of the ship "Ovation of the Seas" to cater for more than 2,000 customers. We arranged additional entertainment programs to add the enjoyment of the cruise trip for customers that resulted in very good customer response.



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 stable business growth. The business line offers 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. 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 in 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\$103.7 million, representing a decrease of 5.4% from HK\$109.6 million for the corresponding period last year. The selling and distribution costs accounted for 84.5% of the Group's total gross profit, having increased from 74.0% in the corresponding period 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 Period, 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 30 September 2017, the Group operated a total of 54 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\$36.9 million, representing an increase of 4.2% from HK\$35.4 million for the corresponding period last year. The increase was mainly due to an impairment loss of HK\$1.1 million on property, plant and equipment (2016: Nil). Administrative expenses accounted for 30.0% of the Group's total gross profit, which increased from 23.9% 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 was maintained at a similar level as the corresponding period 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 Period was HK\$269,000, which was mainly related to the interest-bearing bank borrowing of mortgage loans for the Group's properties (2016: HK\$247,000).

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 30 September 2017 remained healthy with net assets value of HK\$156.1 million (as at 31 March 2017: HK\$170.2 million). Including the time deposits over three months, the Group had total cash and cash equivalents of HK\$157.3 million as at 30 September 2017 (as at 31 March 2017: HK\$172.5 million). As at 30 September 2017, in addition to an investment property with fair value at HK\$55.0 million (as at 31 March 2017: HK\$51.0 million), the Group held a portfolio of financial assets at fair value through profit or loss at around HK\$8.9 million (as at 31 March 2017: HK\$2.0 million).

As at 30 September 2017, the Group's current ratio (current assets divided by current liabilities) was 1.06 times compared with 1.19 times as at 31 March 2017. The gearing ratio (interest-bearing borrowings divided by total equity) was 15.4% as compared with 15.3% as at 31 March 2017. 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 2017.



Capital Commitments

As at 30 September 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 HK\$125,000 (as at 31 March 2017: HK\$268,000).

Pledge of Assets

As at 30 September 2017, the Group had outstanding bank loans amounting in total of HK\$24.0 million (as at 31 March 2017: HK\$26.0 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 gain of approximately HK\$0.6 million was recorded (2016: exchange loss of HK\$0.6 million).

Human Resources and Employee's Remuneration

As at 30 September 2017, the Group had a total workforce of 557 (as at 31 March 2017: 588), of which about 65.2% 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 six months period ended 30 September 2017.



OUTLOOK

The market environment remains challenging in the second half of the year. The severe competition from OTA and Booking Websites will continue to exert tremendous pressure on the Group's retail FIT business.

To sharpen our competitiveness, the Group will continue to streamline the branch network, thereby enhancing branch productivity and increasing income of frontline staff. Implementation of a new sales management team from December 2017 will be an important step to integrate our frontline management resources so as to build a stronger management team to facilitate future business growth. The FIT business under the brand name of "Travel Expert" is the Group's core business and has established strong brand name throughout the years. We will utilize our solid foundation and experience to further explore the MICE business aiming at capturing a higher gross profit margin. Besides, we will continue to utilize the extensive branch network of Travel Expert in selling products of other Group's business brands, such as cruise holidays, long-haul guided tours and other travel products, so as to boost the overall sales. This will also allow us to adhere to our goal of providing one-stop travel solutions to customers.

In respect of Premium Holidays, we will streamline its internal workflow in order to improve its business operation and cost effectiveness. We will implement measures to reduce the tour cancellation rate so as to minimize the penalty imposed by airlines and land agents. Last but not least, we will enhance its market awareness through different promotional activities and sales network of Travel Expert.

The launch of our new online trading platform in October 2017 enabled us to cater for the increasing trend of booking air tickets and hotel accommodations online. We will continue to commit resources in enhancing the online platform and the mobile app with a view to improve the customer shopping experience, which in turn will help to increase the Group's online business and competitiveness.

In short, the Group will remain committed to strengthen our operational efficiency through a number of measures as mentioned above. We will continue to devote resources to the development of business lines and strive to boost their sales turnover and profitability. The Group will further enhance the marketing and promotional activities for different business lines to drive their sales growth and enhance brand loyalty. In early 2018, we will move all separate back offices in Hong Kong to one location. After the move, it can greatly facilitate the internal communication and achieve a better working efficiency across different business lines. 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 six months ended 30 September 2017, 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 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 (the "Listing Rules").

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed and discussed with the management and the Company's external auditors the interim results for the six months ended 30 September 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 during the six months ended 30 September 2017.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 30 September 2017, 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") | 3,775,000 | 7,940,000 (Note a) | 356,715,000 (Note b) | 368,430,000 | 71.74% |
| Ms. Cheng Hang Fan ("Mrs. Ko") | 7,940,000 | 3,775,000 (Note a) | 356,715,000 (Note b) | 368,430,000 | 71.74% |
| Mr. Chan Wan Fung | 800,000 | – | – | 800,000 | 0.16% |

Notes:

- (a) Mr. Ko and Mrs. Ko are spouses. Pursuant to the 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 the 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 2017, 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.

During the six months ended 30 September 2017, there was no outstanding option and no option under the Share Option Scheme was granted.



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 2017, 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 the 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 2017, 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 Directors' emoluments of Mr. Ko (the Chairman and Executive Director) and Mr. Kam Tze Ming, Alfred (Chief Operating Officer and Executive) have been reviewed and revised effective on 1 April 2017 and the Director's emoluments of Mr. Ko has been further reviewed and revised effective on 1 October 2017.

INVESTMENT ACTIVITIES

For the six months ended 30 September 2017, 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.

The investment cap of HK\$40 million approved by the Board remained unchanged during the six months ended 30 September 2017.

The details of the financial assets or liabilities purchased under the investment cap stated at fair value as at 30 September 2017 were as follows:

| | 30 September 2017 (unaudited) HK\$'000 | 31 March 2017 (audited) HK\$'000 |
|---|---|---|
| Investment by Categories | | |
| Equity securities listed in Hong Kong and PRC | 1,029 | 2,004 |
| Equity securities listed in Global Market | 8 | – |
| Short Hang Seng Index | – | 3 |
| Investment in Bonds/Notes | 5,925 | – |
| Investment in Fund | 1,965 | – |
| Total Value | 8,927 | 2,007 |



INDEPENDENT REVIEW REPORT



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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 2017 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

Wong Kwok Wai

Practising Certificate Number P06047

Hong Kong, 22 November 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

| | | Six months ended 30 September | |
|--|-------|----------------------------------|-----------------|
| | | 2017 | 2016 |
| | | (unaudited) | (unaudited) |
| | Notes | HK\$'000 | HK\$'000 |
| Revenue | 5 | 162,181 | 174,307 |
| Cost of sales | | <u>(39,444)</u> | <u>(26,237)</u> |
| Gross profit | | 122,737 | 148,070 |
| Other income and gains | 5 | 9,119 | 5,161 |
| Changes in fair value of investment property | 12 | 4,000 | (6,600) |
| Selling and distribution costs | | (103,741) | (109,579) |
| Administrative expenses | | (36,904) | (35,436) |
| Share of profits of associates | | 1,576 | – |
| (Loss)/gain on disposal of financial assets/liabilities at fair value through profit or loss | | (259) | 133 |
| Fair value loss on financial assets/liabilities at fair value through profit or loss | | <u>(27)</u> | <u>(5)</u> |
| (Loss)/profit from operations | 6 | (3,499) | 1,744 |
| Finance costs | 7 | <u>(269)</u> | <u>(247)</u> |
| (Loss)/profit before income tax | | (3,768) | 1,497 |
| Income tax expense | 8 | <u>(233)</u> | <u>(2,315)</u> |
| Loss for the period | | (4,001) | (818) |



| | | Six months ended | |
|---|---|-------------------------|---------------------|
| | | 30 September | |
| | | 2017 | 2016 |
| | | (unaudited) | (unaudited) |
| Notes | | HK\$'000 | HK\$'000 |
| Other comprehensive income, that may be reclassified subsequently to profit or loss: | | | |
| | Exchange difference on translation of financial statements of overseas subsidiaries | <u>160</u> | <u>(145)</u> |
| | Other comprehensive income for the period, net of tax | <u>160</u> | <u>(145)</u> |
| | Total comprehensive income for the period | <u>(3,841)</u> | <u>(963)</u> |
| (Loss)/profit for the period attributable to: | | | |
| | Owners of the Company | <u>(2,960)</u> | 898 |
| | Non-controlling interests | <u>(1,041)</u> | <u>(1,716)</u> |
| | | <u>(4,001)</u> | <u>(818)</u> |
| Total comprehensive income for the period attributable to: | | | |
| | Owners of the Company | <u>(2,800)</u> | 753 |
| | Non-controlling interests | <u>(1,041)</u> | <u>(1,716)</u> |
| | | <u>(3,841)</u> | <u>(963)</u> |
| (Loss)/earnings per share attributable to owners of the Company | | | |
| | – Basic | 9 | 9 |
| | – Diluted | 9 | 9 |
| | | <u>HK (0.6) cents</u> | <u>HK0.2 cents</u> |
| | | <u>N/A</u> | <u>N/A</u> |



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

| | | 30 September 2017 (unaudited) HK\$'000 | 31 March 2017 (audited) HK\$'000 |
|---|-------|---|---|
| | Notes | | |
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 71,818 | 76,776 |
| Investment property | 12 | 55,000 | 51,000 |
| Goodwill | | 445 | 445 |
| Interests in associates | | 10,984 | – |
| Deposits | | 5,737 | 7,385 |
| | | <u>143,984</u> | <u>135,606</u> |
| Current assets | | | |
| Inventories | | 4,770 | 2,336 |
| Trade receivables | 13 | 7,694 | 7,289 |
| Prepayments, deposits and other receivables | | 37,115 | 33,284 |
| Financial assets at fair value through profit or loss | 14 | 8,927 | 2,007 |
| Prepaid tax | | 4,044 | 4,112 |
| Pledged deposits | | 1,307 | 2,367 |
| Time deposits over three months | 15 | 90,444 | 130,195 |
| Cash and cash equivalents | 15 | 66,819 | 42,314 |
| | | <u>221,120</u> | <u>223,904</u> |
| Current liabilities | | | |
| Trade payables | 16 | 98,505 | 110,835 |
| Accrued charges, deposits received and other payables | | 76,003 | 50,904 |
| Bank borrowings | 17 | 23,968 | 25,982 |
| Amounts due to associates | | 8,797 | – |
| Provision for tax | | 886 | 763 |
| | | <u>208,159</u> | <u>188,484</u> |



| | | 30 September 2017 (unaudited) HK\$'000 | 31 March 2017 (audited) HK\$'000 |
|---|-------|---|---|
| | Notes | | |
| Net current assets | | 12,961 | 35,420 |
| Total assets less current liabilities | | 156,945 | 171,026 |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 829 | 797 |
| | | 829 | 797 |
| Net assets | | 156,116 | 170,229 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 18 | 5,136 | 5,136 |
| Reserves | | 153,558 | 166,630 |
| | | 158,694 | 171,766 |
| Non-controlling interests | | (2,578) | (1,537) |
| Total equity | | 156,116 | 170,229 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

| | Attributable to owners of the Company | | | | | | | | | | Non-controlling interests HK\$'000 | Total equity HK\$'000 |
|--|---------------------------------------|---------------------------|----------------------------------|----------------------------|--------------------------------------|---------------------------|-------------------------------|------------------------------|-------------------|----------------|---------------------------------------|--------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Share option reserve HK\$'000 | Merger reserve HK\$'000 | Foreign exchange reserve HK\$'000 | Other reserve HK\$'000 | Proposed dividend HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 | | | |
| 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 | |

| | Attributable to owners of the Company | | | | | | | | | | Non-controlling interests HK\$'000 | Total equity HK\$'000 |
|---|---------------------------------------|---------------------------|----------------------------|--------------------------------------|---------------------------|-------------------------------|------------------------------|-------------------|----------------|----------------|---------------------------------------|--------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Merger reserve HK\$'000 | Foreign exchange reserve HK\$'000 | Other reserve HK\$'000 | Proposed dividend HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 | | | | |
| At 1 April 2017 | 5,136 | 57,779 | (9,000) | (469) | 1,304 | 10,272 | 106,744 | 171,766 | (1,537) | 170,229 | | |
| Loss for the period | - | - | - | - | - | - | (2,960) | (2,960) | (1,041) | (4,001) | | |
| Other comprehensive income: | | | | | | | | | | | | |
| Exchange alignment | - | - | - | 160 | - | - | - | 160 | - | 160 | | |
| Total comprehensive income for the period | - | - | - | 160 | - | - | (2,960) | (2,800) | (1,041) | (3,841) | | |
| Final dividend paid | - | - | - | - | - | (10,272) | - | (10,272) | - | (10,272) | | |
| At 30 September 2017 (unaudited) | 5,136 | 57,779 | (9,000) | (309) | 1,304 | - | 103,784 | 158,694 | (2,578) | 156,116 | | |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2017 (unaudited) HK\$'000 | 2016 (unaudited) HK\$'000 |
| Cash used in operations | (3,718) | (22,712) |
| Income tax paid | (10) | (577) |
| Income tax refund | - | 104 |
| Net cash used in operating activities | (3,728) | (23,185) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (850) | (1,793) |
| Dividend income | 122 | 2 |
| Decrease in pledged deposits | 1,060 | 307 |
| Decrease in time deposits with an original maturity of more than three months | 39,751 | 10,102 |
| Interest received | 879 | 1,008 |
| Net cash generated from investing activities | 40,962 | 9,626 |
| Cash flows from financing activities | | |
| Dividends paid | (10,272) | (13,867) |
| Capital injection from non-controlling interests | - | 1 |
| Repayments of bank and other borrowings | (2,014) | (11,683) |
| Interest paid | (269) | (247) |
| Net cash used in financing activities | (12,555) | (25,796) |
| Net increase/(decrease) in cash and cash equivalents | 24,679 | (39,355) |
| Cash and cash equivalents at beginning of period | 42,314 | 114,212 |
| Effect of foreign exchange rate changes | (174) | (109) |
| Cash and cash equivalents at end of period | 66,819 | 74,748 |



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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 principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are the provision of services relating to the sales of air-tickets, hotel accommodation and other travel/wedding related products, provision of package tours, property investment and investment in treasury activities.

The condensed consolidated interim financial statements for the six months ended 30 September 2017 were approved and authorised for issue by the Board on 22 November 2017.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 September 2017 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 2017.

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 2017, 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 2017.

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 30 September | | Six months ended 30 September | | Six months ended 30 September | | Six months ended 30 September | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| | HKS’000 | HKS’000 | HKS’000 | HKS’000 | HKS’000 | HKS’000 | HKS’000 | HKS’000 |
| Revenue | | | | | | | | |
| From external customers | 161,801 | 173,167 | 380 | 1,140 | - | - | 162,181 | 174,307 |
| Reportable segment revenue | 161,801 | 173,167 | 380 | 1,140 | - | - | 162,181 | 174,307 |
| Reportable segment (loss)/profit | (8,606) | 7,395 | 4,049 | (5,935) | (49) | 407 | (4,606) | 1,867 |
| Interest income | 830 | 580 | - | - | 49 | 428 | 879 | 1,008 |
| Changes in fair value of investment property | - | - | 4,000 | (6,600) | - | - | 4,000 | (6,600) |
| Finance costs | (112) | (63) | (157) | (184) | - | - | (269) | (247) |
| Dividend income | - | - | - | - | 122 | 2 | 122 | 2 |
| Depreciation | (4,635) | (5,279) | - | (1) | - | - | (4,635) | (5,280) |
| Impairment loss on property, plant and equipment | (1,145) | - | - | - | - | - | (1,145) | - |
| (Loss)/gain on disposal of financial assets/liabilities at fair value through profit or loss | - | - | - | - | (259) | 133 | (259) | 133 |
| Fair value loss on financial assets/ liabilities through profit or loss | - | - | - | - | (27) | (5) | (27) | (5) |



4. SEGMENT INFORMATION (Cont'd)

| | Travel and travel/wedding related business | | Rental income from investment property | | Treasury activities | | Total | |
|--|--|---------------|--|---------------|---------------------|---------------|-------------------|---------------|
| | At | At | At | At | At | At | At | At |
| | 30 September 2017 | 31 March 2017 | 30 September 2017 | 31 March 2017 | 30 September 2017 | 31 March 2017 | 30 September 2017 | 31 March 2017 |
| | (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 | 259,852 | 286,060 | 55,027 | 51,123 | 35,411 | 17,385 | 350,290 | 354,568 |
| Additions to non-current segment assets during the period/year | 855 | 5,750 | - | - | - | - | 855 | 5,750 |
| Reportable segment liabilities | 185,011 | 171,341 | 14,371 | 15,600 | 62 | 33 | 199,444 | 186,974 |

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 | |
|-----------------------------------|----------------------------------|---------------------------------|
| | 2017 (unaudited) HK\$'000 | 2016 (unaudited) HK\$'000 |
| Reportable segment revenue | 162,181 | 174,307 |
| Group revenue | 162,181 | 174,307 |
| Reportable segment (loss)/profit | (4,606) | 1,867 |
| Other corporate income/(expenses) | 838 | (370) |
| (Loss)/profit before income tax | (3,768) | 1,497 |

4. SEGMENT INFORMATION (Cont'd)

| | At 30 September 2017 (unaudited) HK\$'000 | At 31 March 2017 (audited) HK\$'000 |
|--------------------------------|---|---|
| Reportable segment assets | 350,290 | 354,568 |
| Other corporate assets | 14,814 | 4,942 |
| Group assets | 365,104 | 359,510 |
| Reportable segment liabilities | 199,444 | 186,974 |
| Other corporate liabilities | 9,544 | 2,307 |
| Group liabilities | 208,988 | 189,281 |

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 2017 (unaudited) HK\$'000 | 2016 (unaudited) HK\$'000 | At 30 September 2017 (unaudited) HK\$'000 | At 31 March 2017 (audited) HK\$'000 |
| Hong Kong (domicile) | 162,121 | 174,243 | 142,451 | 135,399 |
| The People's Republic of China (the "PRC") excluding Hong Kong | 60 | 64 | 1,533 | 207 |
| | 162,181 | 174,307 | 143,984 | 135,606 |



4. SEGMENT INFORMATION (Cont'd)

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 | |
|--|----------------------------------|---------------------------------|
| | 2017 (unaudited) HK\$'000 | 2016 (unaudited) HK\$'000 |
| Revenue | | |
| Service income from sales of travel/wedding related products (note) | 119,909 | 144,387 |
| Sales of package tours (note) | 41,892 | 28,780 |
| Rental income from investment property | 380 | 1,140 |
| | 162,181 | 174,307 |
| Other income and gains | | |
| Interest income on deposits in banks and financial institutions stated at amortised cost | 840 | 580 |
| Interest income on debt securities | 39 | 428 |
| Dividend income from listed securities | 122 | 2 |
| Exchange gains | 617 | – |
| Sundry income | 7,501 | 4,151 |
| | 9,119 | 5,161 |
| Total revenue, other income and gains | 171,300 | 179,468 |

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

Note:

Total customer sales proceeds

| | Six months ended 30 September | |
|---|----------------------------------|---------------------------------|
| | 2017 (unaudited) HK\$'000 | 2016 (unaudited) HK\$'000 |
| Gross sales proceeds related to service income* | 773,235 | 872,561 |
| Sales of package tours | 41,892 | 28,780 |
| Total customer sales proceeds | 815,127 | 901,341 |

* 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. (LOSS)/PROFIT FROM OPERATIONS

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2017 (unaudited) HK\$'000 | 2016 (unaudited) HK\$'000 |

(Loss)/profit from operations is arrived at
after charging/(crediting):

| | | |
|---|---------|-------|
| Depreciation of property, plant and equipment* | 4,645 | 5,292 |
| Loss on disposal of property, plant and equipment | 26 | 123 |
| Impairment loss on property, plant and equipment | 1,145 | – |
| Changes in fair value of investment property (note 12) | (4,000) | 6,600 |
| Net foreign exchange (gain)/loss | (617) | 595 |

| | | |
|---|---------------|---------------|
| Operating lease charges in respect of leasehold premises | | |
| – Minimum leases payments | 23,888 | 23,926 |
| – Contingent rents ** | 85 | 34 |
| | 23,973 | 23,960 |

6. (LOSS)/PROFIT FROM OPERATIONS (Cont'd)

| | Six months ended 30 September | |
|---|----------------------------------|---------------------------------|
| | 2017 (unaudited) HK\$'000 | 2016 (unaudited) HK\$'000 |
| Operating leases in respect of office equipment | 1,121 | 1,098 |
| Staff costs (including directors' remuneration) | | |
| – Salaries | 77,479 | 83,204 |
| – Retirement scheme contribution | 3,263 | 3,608 |
| | 80,742 | 86,812 |

* Depreciation expenses have been included in:

- selling and distribution costs of approximately HK\$1,898,000 for the six months ended 30 September 2017 (six months ended 30 September 2016: HK\$1,798,000); and
- administrative expenses of approximately HK\$2,747,000 for the six months ended 30 September 2017 (six months ended 30 September 2016: HK\$3,494,000).

** 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 | |
|------------------------------|----------------------------------|---------------------------------|
| | 2017 (unaudited) HK\$'000 | 2016 (unaudited) HK\$'000 |
| Interests on bank borrowings | 269 | 247 |



8. INCOME TAX EXPENSE

| | Six months ended 30 September | |
|---|----------------------------------|-------------|
| | 2017 | 2016 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Current tax – Hong Kong Tax for the period | 201 | 1,745 |
| Deferred tax | 32 | 570 |
| | 233 | 2,315 |

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 the Cayman Islands and the BVI during the six months ended 30 September 2016 and 2017 respectively.

Hong Kong profits tax is calculated at 16.5% (six months ended 30 September 2016: 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. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the loss for the period attributable to owners of the Company of approximately HK\$2,960,000 (six months ended 30 September 2016: profit for the period attributable to owners of the Company of approximately HK\$898,000) and the 513,579,000 (six months ended 30 September 2016: 513,579,000) weighted average number of ordinary shares in issue during the period.

No diluted earnings per share is presented for six months ended 30 September 2016 as the exercise prices of the Company's outstanding options were higher than the average market price during the period.

No diluted loss per share is presented for six months ended 30 September 2017 as there was no outstanding share option during the period.



10. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group incurred capital expenditures of approximately HK\$47,000 (six months ended 30 September 2016: HK\$862,000) in leasehold improvements, approximately HK\$775,000 (six months ended 30 September 2016: HK\$403,000) in office equipment, approximately HK\$28,000 (six months ended 30 September 2016: HK\$192,000) in furniture and fixtures, and approximately Nil (six months ended 30 September 2016: HK\$336,000) in dress and accessories.

During the six months ended 30 September 2017, losses on travel and travel/wedding related business segment caused the Group to assess the recoverable amount of the property, plant and equipment. Based on the assessment, an impairment loss of approximately HK\$1,145,000 (six months ended 30 September 2016: Nil) was recognised and charged to the consolidated statement of comprehensive income for six months ended 30 September 2017. The recoverable amounts of these property, plant and equipment using value in use calculation were determined by the discounted cash flows generated from these travel and travel/wedding related business based on a management budget plan and a pre-tax discount rate of 8%.

12. INVESTMENT PROPERTY

| | 30 September 2017 (unaudited) HK\$'000 | 31 March 2017 (audited) HK\$'000 |
|--|---|---|
| At beginning of the period/year | 51,000 | 60,600 |
| Changes in fair value of investment property | <u>4,000</u> | <u>(9,600)</u> |
| At end of the period/year | <u>55,000</u> | <u>51,000</u> |

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 2017 and 31 March 2017 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 2017 Range | 31 March 2017 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\$150 to HK\$227 | HK\$173 to HK\$450 |
| | | Reversionary yield | 2.5% to 3.0% | 2.6% 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.

| | 2017 HK\$'000 |
|---|------------------|
| Opening balance (level 3 recurring fair value) | 51,000 |
| Changes in fair value of investment property | <u>4,000</u> |
| Closing balance (level 3 recurring fair value) | <u>55,000</u> |
| Changes in unrealised gain for the period included in profit or loss for the assets held at 30 September | <u>4,000</u> |

13. TRADE RECEIVABLES

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

| | 30 September 2017 (unaudited) HK\$'000 | 31 March 2017 (audited) HK\$'000 |
|--------------|---|---|
| 0 – 30 days | 5,436 | 6,121 |
| 31 – 90 days | 2,074 | 1,008 |
| Over 90 days | <u>184</u> | <u>160</u> |
| | <u>7,694</u> | <u>7,289</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 AND FAIR VALUE MEASUREMENT

| | | 30 September 2017 (unaudited) HK\$'000 | 31 March 2017 (audited) HK\$'000 |
|--|-----|---|---|
| Equity securities held for trading, at fair value, listed in Hong Kong, the PRC and overseas | (a) | 1,037 | 2,004 |
| Debt securities held for trading, at fair value, listed in Hong Kong and overseas | (b) | 5,925 | – |
| Derivative financial instruments – Hang Seng Index future contract | (a) | – | 3 |
| Unlisted investment fund | (c) | 1,965 | – |
| Total | | 8,927 | 2,007 |

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 traded on over-the-counter (“OTC”) are determined based on quoted market price available on the OTC market.
- (c) The fair values of unlisted investment fund are determined by reference to their net asset value provided by the administrator of the fund.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FAIR VALUE MEASUREMENT (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 2017 | | | 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 debt securities | 5,925 | – | – | 5,925 |
| – Listed equity securities | 1,037 | – | – | 1,037 |
| – Unlisted investment fund | – | – | 1,965 | 1,965 |
| Total | 6,962 | – | 1,965 | 8,927 |

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

| | 31 March 2017 | | | Total HK\$'000 (audited) |
|---|-----------------------|-----------------------|-----------------------|--------------------------------|
| | Level 1 | Level 2 | Level 3 | |
| | HK\$'000 (audited) | HK\$'000 (audited) | HK\$'000 (audited) | |
| Financial assets at fair value through profit or loss | | | | |
| – Derivatives | 3 | – | – | 3 |
| – Listed equity securities | 2,004 | – | – | 2,004 |
| Total | 2,007 | – | – | 2,007 |

There were no transfers between levels during the period.

Reconciliation for financial assets at fair value through profit or loss based on significant unobservable inputs (Level 3) are as follows:

Unlisted investment fund

| | 30 September 2017 (unaudited) HK\$'000 | 31 March 2017 (audited) HK\$'000 |
|--|---|---|
| At 1 April | – | – |
| Purchases | 1,953 | – |
| Net realised gains: | | |
| – in profit or loss (included in changes in fair value of financial assets at fair value through profit or loss) | 12 | – |
| At 30 September/31 March | 1,965 | – |

The carrying amounts of the financial instruments carried at amortised cost are not materially different from their fair values as at 30 September 2017 and 31 March 2017.



15. TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

| | 30 September 2017 (unaudited) HK\$'000 | 31 March 2017 (audited) HK\$'000 |
|--|---|---|
| Cash deposits in banks and financial institutions | 66,819 | 42,314 |
| Short-term deposits in banks | 90,444 | 130,195 |
| | 157,263 | 172,509 |
| Less: Time deposits with an original maturity of more than three months | (90,444) | (130,195) |
| Cash and cash equivalents | 66,819 | 42,314 |

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 2017 (unaudited) HK\$'000 | 31 March 2017 (audited) HK\$'000 |
|--------------|---|---|
| 0 – 30 days | 65,257 | 70,793 |
| 31 – 90 days | 21,244 | 30,978 |
| Over 90 days | 12,004 | 9,064 |
| | 98,505 | 110,835 |

17. BANK BORROWINGS

| | 30 September 2017 (unaudited) HK\$'000 | 31 March 2017 (audited) HK\$'000 |
|---|---|---|
| Secured bank borrowings | | |
| Portion due for repayment within one year | 4,045 | 4,098 |
| Portion due for repayment after one year which contains a repayable on demand clause | <u>19,923</u> | <u>21,884</u> |
| | <u>23,968</u> | <u>25,982</u> |

The Group's interest-bearing bank borrowing of approximately HK\$505,000 (31 March 2017: HK\$780,000) bears interest at a floating rate of 1.75% per annum over 1 month HIBOR; interest-bearing bank borrowing of approximately HK\$4,123,000 (31 March 2017: HK\$4,355,000) bears interest at a floating rate of 2.15% per annum below HKD prime; interest-bearing bank borrowing of approximately HK\$5,546,000 (31 March 2017: HK\$5,820,000) bears interest at a floating rate of 1.60% per annum over HIBOR with capped rate of 2.90% per annum below HKD prime are secured by the Group's land and buildings of approximately HK\$66,312,000 (31 March 2017: HK\$67,596,000) as at 30 September 2017.

The Group's interest-bearing bank borrowing of approximately HK\$13,794,000 (31 March 2017: HK\$15,027,000) 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\$55,000,000 (31 March 2017: HK\$51,000,000) as at 30 September 2017 (Note 12).

The current liabilities include bank borrowings of approximately HK\$19,923,000 (31 March 2017: HK\$21,884,000) 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 30 September 2017 and 31 March 2017.



18. SHARE CAPITAL

| | Number of shares '000 | Amount HK\$'000 |
|---|-----------------------------|--------------------|
| Authorised: | | |
| Ordinary shares of HK\$0.01 each | | |
| At 1 April 2016, 31 March 2017, 1 April 2017 and 30 September 2017 | <u>2,000,000</u> | <u>20,000</u> |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.01 each | | |
| At 1 April 2016, 31 March 2017, 1 April 2017 and 30 September 2017 | <u>513,579</u> | <u>5,136</u> |

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 2017 (unaudited) HK\$'000 | 31 March 2017 (audited) HK\$'000 |
|---|---|---|
| Buildings: | | |
| Within one year | 34,340 | 34,584 |
| In the second to fifth years, inclusive | 14,942 | 15,035 |
| | <u>49,282</u> | <u>49,619</u> |
| Other assets: | | |
| Within one year | – | 500 |
| | <u>–</u> | <u>500</u> |

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 2017 (unaudited) HK\$'000 | 31 March 2017 (audited) HK\$'000 |
|---|---|---|
| – Within one year | 1,633 | 380 |
| – In the second to fifth years, inclusive | 3,131 | – |
| | <u>4,764</u> | <u>380</u> |

19. COMMITMENTS (Cont'd)

Operating lease commitments (Cont'd)

Capital commitment

As at 30 September 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 HK\$125,000 (31 March 2017: HK\$268,000).

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 | |
|--|----------------------------------|-------------|
| | 2017 | 2016 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |

| | | |
|---|--------------|--------------|
| Rental expenses paid to related companies | <u>1,172</u> | <u>1,215</u> |
|---|--------------|--------------|

| | At 30 September 2017 (unaudited) HK\$'000 | At 31 March 2017 (audited) HK\$'000 |
|--|---|---|
|--|---|---|

| | | |
|--|------------|------------|
| Rental deposit paid to related companies included in prepayments, deposits and other receivables | <u>586</u> | <u>586</u> |
|--|------------|------------|



20. RELATED PARTY TRANSACTIONS (Cont'd)

(a) Significant related party transactions during the periods

(Cont'd)

Notes:

1. On 20 September 2017, the Group acquired 20% of the equity interest of Wealth Asia Development Limited from a vendor at a consideration of HK\$7,200,000. Mr. Ko Wai Ming, the director of the Company, is beneficiary owner of the vendor. Upon completion of the acquisition, Wealth Asia Development Limited became an associate of the Group.
2. 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 2017 (unaudited) HK\$'000 | 2016 (unaudited) HK\$'000 |
|--------------------------------|---|---------------------------------|
| Short term employee benefits | 2,221 | 2,527 |
| Retirement scheme contribution | 35 | 36 |
| | <u>2,256</u> | <u>2,563</u> |