

專業旅運(亞洲)企業有限公司

Travel Expert (Asia) Enterprises Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1235)

Interim Report
2019/2020



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. 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

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15 Cheung Shun Street
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Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
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Grand Cayman, KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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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
		2019 HK\$'000	2018 HK\$'000	

Profitability

Total customer sales proceeds		635,966	744,593	-14.6%
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Revenue				
- Service income from sales of travel/wedding related products		78,671	104,901	-25.0%
- Sales of package tours		78,972	45,948	+71.9%
- Rental income from investment properties		545	411	+32.6%
		158,188	151,260	+4.6%

Loss attributable to owners of the Company		(12,192)	(7,940)	
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Loss per share				
- Basic (HK cents)	1	(2.4)	(1.5)	

Financial ratio

Return on equity (%)	2	-8.4%	-4.5%
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Gearing ratio (%)	3	2.2%	2.1%
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Notes:

- 1 The calculation of the basic loss per share is based on 509,859,000 (2018: 512,802,000) weighted average number of ordinary shares in issue during the period.
- 2 Return on equity is calculated based on the loss for the period attributable to owners of the Company divided by the equity attributable to owners of the Company at the end of the period and multiplied by 100%.
- 3 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,

As indicated in the profit warning announcement issued by the Company on 31 October 2019, the results attributable to owners of the Company for the six months ended 30 September 2019 was a loss of HK\$12.2 million as compared with the loss of HK\$7.9 million for the same period last year. The significant decline was mainly due to a decrease in fair value of the investment properties held by the Group as compared to a fair value gain recorded in the same period last year and the unfavourable market conditions due to recent political and social issues in Hong Kong.

During the period under review, the business of FIT (free independent travellers) was heavily impacted by the continued intensive market competition from budget airlines and online sales platforms. The Group has been continuously reviewing market situations and enhancing support to our frontline travel consultants in trip planning and value-added services. We continued to devote additional resources and support to the private tour and MICE (meeting, incentive, conference and exhibition) team. It was encouraging that the private tour and MICE business has gained a considerable growth.

The package tour business operated by Premium Holidays Limited (尊賞假期有限公司) ("Premium Holidays") continued to record a strong momentum on business growth. To further stimulate sales, the Group continuously put efforts in enriching tour routes, enhancing customer services and adjusting product mix and promotion strategies. During the period under review, Premium Holidays launched a new company logo to upgrade its business image in the market.

Looking ahead, the Group will continue to improve its competitiveness in different areas in order to cope with the challenging operating environment. Implementation of cost control measures and streamlining of sales branch network will continue to be the main tasks of the management team. Nevertheless, the Group is determined to further develop the package tour business and the private tour and MICE business. We will continue to place emphasis on the development of customized group tours with unique itinerary planning and management services to strengthen the market position.

In view of the China-US trade dispute and political issues in Hong Kong, so many uncertainties may cause further damage to the business environment of Hong Kong. Therefore, the Group will ensure that it maintains sufficient funds to support its business operation. We believe that the long proven track record of the management team will lead the Group through this difficult time and lay solid foundation for further development.

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, 21 November 2019



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW


For the six months ended 30 September 2019 (the “Period”), as indicated in the profit warning announcement issued by the Company on 31 October 2019, the results attributable to owners of the Company for the Period declined significantly. The Group’s total customer sales proceeds was HK\$636.0 million for the Period, representing a decrease of 14.6% as compared with HK\$744.6 million for the corresponding period last year. The total revenue for the Period increased to HK\$158.2 million (2018: HK\$151.3 million), representing an increase of 4.6% over the corresponding period last year. The business performance of the Group continued to be adversely affected by the intensified competition and unfavourable market conditions due to recent political and social issues in Hong Kong. In addition, the decrease in fair value of the investment properties held by the Group as compared to a fair value gain recorded in the corresponding period last year also contributed to the significant decline of the results.

During the Period, the Group recorded a valuation loss of HK\$1.8 million in our investment properties (2018: valuation gain of HK\$4.2 million). Excluding the property valuation impact, the loss for the Period attributable to owners of the Company was HK\$10.4 million (2018: loss of HK\$12.1 million). Overall, the Group’s loss for the Period was HK\$11.9 million, representing a decrease of bottom line from the loss of HK\$10.0 million for the corresponding period last year. Loss per share attributable to owners of the Company for the Period was HK2.4 cents (2018: loss of HK1.5 cents). The Board has resolved not to declare an interim dividend for the Period (2018: 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. After business restructuring in the previous year, the Group’s corporate business, cruise holidays and wedding related business are now operated under one single company i.e. Travel Expert. During the Period, the performance of this business line was adversely impacted by political and social issues. Furthermore, online travel agencies, booking platforms of hotels and budget airlines continued to exert tremendous pressure on this business line. In response to the tough operating environment, we continued to implement various cost control measures, such as management team restructuring and branch network streamlining programs to reduce operation costs. We also took a pro-active approach to negotiate with landlords for rental reduction or special marketing fund to support our sales-driven marketing and promotional activities.

Furthermore, we continued to strengthen the private tour and MICE team, which aimed at providing customers with professional travel tour planning and organizing services. The team organized customized small group tours, study tours and MICE tours that can support our FIT business by catering for the individual needs of customers with more flexible itinerary.



The Group's online business is operated through the online trading platform www.texpert.com that focused on selling travel products like theme park tickets, train and bus tickets, boat tickets and etc. and recorded an improvement in performance as compared with the corresponding period last year. At the same time, the Group allocated resources towards digital marketing, which provided support to the core FIT business of Travel Expert and tour business of Premium Holidays.

The Group's tour operation is operated by Premium Holidays with focus on operating high-end long haul tours business. During the Period, the Group continued to allocate resources to expand the business scale. This business line showed a strong momentum on business growth trend. With the Group's ongoing efforts in enriching tour routes, themes and features of the package tours as well as continued efforts in enhancing branding and marketing initiatives, it continued to record encouraging results in terms of significant increase in the number of passengers and departure tours.

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"). During the Period, this segment recorded a loss. 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\$75.5 million, representing a decrease of 16.6% from HK\$90.5 million for the corresponding period last year. The selling and distribution costs accounted for 79.4% of the Group's total gross profit, having decreased from 82.2% in the corresponding period last year.

The decrease of selling and distribution costs 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. During the Period, we further streamlined our branch network in order to enhance the operational efficiency that resulted in a decrease of the overall rental cost of retail premises. Besides, the Group carried out strict cost control measures and managed to maintain a reasonable selling and distribution costs level. Despite of the cost pressure, we will continue to maintain a widespread and effective sales network which is one of our key competitive advantages. As at 30 September 2019, the Group operated a total of 34 retail shops in Hong Kong under the brand names of Travel Expert and Premium Holidays.

Administrative Expenses

For the Period, administrative expenses amounted to HK\$33.5 million, representing a decrease of 13.9% from HK\$38.9 million for the corresponding period last year. Administrative expenses accounted for 35.2% of the Group's total gross profit, which decreased from 35.4% in the corresponding period last year.



Salaries for back office staff and the office rental accounted for the majority of the Group's administrative expenses. Currently, the Group has one back office location in Hong Kong and one in Shenzhen. With our efforts, we managed to reduce the overall administrative expenses to a more reasonable level although we committed to allocating extra resources for the business 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 on administrative expenses by better allocation of its back office resources and streamlining existing working process.

Finance Cost

Finance cost of the Group for the Period was HK\$939,000, of which as to HK\$38,000 was related to the interest-bearing bank borrowings of mortgage loans for the Group's properties (2018: HK\$133,000) and as to HK\$901,000 was related to interest on lease liabilities due to adoption of HKFRS 16 from 1 April 2019 (2018: Nil).

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 2019 remained healthy with net assets value of HK\$144.2 million (as at 31 March 2019: HK\$166.6 million). Including the time deposits over three months, the Group had total cash and cash equivalents of HK\$95.1 million as at 30 September 2019 (as at 31 March 2019: HK\$122.2 million). As at 30 September 2019, in addition to investment properties of HK\$87.0 million (as at 31 March 2019: HK\$88.8 million), the Group held a portfolio of financial assets at fair value through profit or loss at around HK\$4.4 million (as at 31 March 2019: HK\$13.7 million).

As at 30 September 2019, the gearing ratio (bank borrowings divided by total equity) was 2.2% as compared with 2.0% as at 31 March 2019. 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 2019.

Capital Commitments

As at 30 September 2019, 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\$470,000 (as at 31 March 2019: HK\$176,000).

Pledge of Assets

As at 30 September 2019, the Group had outstanding bank loans amounting in total of HK\$3.2 million (as at 31 March 2019: HK\$3.4 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\$31,000 was recorded (2018: exchange loss of HK\$307,000).

Human Resources and Employee's Remuneration

As at 30 September 2019, the Group had a total workforce of 375 (as at 31 March 2019: 440), of which about 64% 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 2019.

OUTLOOK

Looking ahead, the business environment is expected to be more challenging than ever, as many uncertainties continue to prevail in the Hong Kong economy.

Facing the tough operating environment, the Group will continue to focus resources on promoting our two major business lines, Travel Expert and Premium Holidays. Furthermore, we will continue to put emphasis on cost control measures to reduce operation costs.

In respect of Travel Expert, the Group will devote continuous efforts to optimize its sales branch network so as to accomplish effective cost control and increase operation efficiency. We believe that enhancement of the frontline quality services would enable it to secure a reasonable return. Therefore, we will continue to commit our effort to transforming the business of Travel Expert from a FIT travel package selling company to a trip planning and tour service company. To cater for the changing customer preferences and needs as well as the market's increasing demand for customized itinerary and study tours, we will continue to invest in the expansion of the private tour and MICE team to strengthen its business development. Our continuous commitment in achieving service excellence will help us to strengthen its competitiveness and market position.



In respect of Premium Holidays, the encouraging result of this business line in the Period indicated that it has a high potential for future business growth. Therefore, the Group will allocate considerable resources to promote its brand through marketing and promotional campaigns. We are committed to diversifying travel routes with different themes and features and enriching product offerings in the coming years, thereby providing customers with more enjoyable journey and enhanced travel experience. To strengthen the interactions with customers, Premium Holidays will continue to hold travel talks to share with customers about updated travel information and knowledge of selected destinations. This inter-active customer experience will on the one hand enable us to keep track of the latest market needs, while on the other hand enable us to strengthen customer purchasing intentions.

In short, albeit many uncertainties ahead, the Group will adopt responsive measures to overcome the unfavorable factors and strive to deliver sustainable value and returns to shareholders. Furthermore, leveraging on our extensive branch network and experienced management team, we are confident that we will be able to capture market potentials and tackle future challenges.

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

During the six months ended 30 September 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the Period, 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 Period.

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 Period.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 30 September 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any 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 the issued share capital
	Personal interests	Family interests	Corporate interests	Total interests	
Mr. Ko Wai Ming, Daniel ("Mr. Ko")	4,240,000	8,370,000 (Note a)	356,715,000 (Note b)	369,325,000	72.44%
Ms. Cheng Hang Fan ("Mrs. Ko")	8,370,000	4,240,000 (Note a)	356,715,000 (Note b)	369,325,000	72.44%
Mr. Chan Wan Fung	800,000	-	-	800,000	0.16%

Notes:

- 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.
- 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 2019, 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 2019, 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 2019, 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	69.96%
Mr. Chu Hung Kwan (“Mr. Chu”) (Note b)	17,400,000	11,500,000	28,900,000	5.67%
Ms. Tai Kan Yuet (“Mrs. Chu”) (Note b)	11,500,000	17,400,000	28,900,000	5.67%

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 2019, had an interest or a short position in the shares or underlying shares of the Company which are recorded in the registers required to be kept under Section 336 of the SFO or notified to the company pursuant to the SFO.

CHANGE IN INFORMATION OF DIRECTORS

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

The amount of the director's emoluments of Mr. Kam Tze Ming, Alfred (Executive Director and Chief Operating Officer), resigned on 15 June 2019, has been reviewed and revised effective on 1 April 2019.

INVESTMENT ACTIVITIES

For the six months ended 30 September 2019, 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\$30 million or an amount equivalent to the Group's balance of the surplus funds (which as is lower) approved by the Board remained unchanged during the six months ended 30 September 2019.

The details of the financial assets or liabilities purchased under the investment cap stated at fair value as at 30 September 2019 were as follows:

Investment by Categories	30 September 2019 (unaudited) HK\$'000	31 March 2019 (audited) HK\$'000
Equity securities listed in Hong Kong	4,397	5,841
Hang Seng Index Future Contract	(18)	(60)
Hang Seng Index Option	(63)	–
Bonds	–	7,809
Total Value	4,316	13,590

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 15 to 44 which comprise the consolidated statement of financial position of Travel Expert (Asia) Enterprises Limited and its subsidiaries as of 30 September 2019 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, 21 November 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Notes	Six months ended 30 September	
		2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Revenue	5	158,188	151,260
Cost of sales		<u>(63,089)</u>	<u>(41,172)</u>
Gross profit		95,099	110,088
Other income and gains	5	6,001	6,680
Changes in fair value of investment properties	13	(1,823)	4,200
Selling and distribution costs		(75,464)	(90,510)
Administrative expenses		(33,497)	(38,946)
Share of losses of associates		(752)	(98)
Loss on disposal of financial assets/liabilities at fair value through profit or loss		(226)	(1,033)
Fair value loss on financial assets/liabilities at fair value through profit or loss		<u>(256)</u>	<u>(18)</u>
Loss from operations	6	(10,918)	(9,637)
Finance costs	7	<u>(939)</u>	<u>(133)</u>
Loss before income tax		(11,857)	(9,770)
Income tax expense	8	<u>(87)</u>	<u>(277)</u>
Loss for the period		(11,944)	(10,047)

		Six months ended	
		30 September	
		2019	2018
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas subsidiaries		(306)	(318)
Item that will not be reclassified to profit or loss:			
Fair value adjustment upon transfer of property, plant and equipment to investment property	13	—	34,727
Other comprehensive income for the period, net of tax		(306)	34,409
Total comprehensive income for the period		(12,250)	24,362
(Loss)/profit for the period attributable to:			
Owners of the Company		(12,192)	(7,940)
Non-controlling interests		248	(2,107)
		(11,944)	(10,047)
Total comprehensive income for the period attributable to:			
Owners of the Company		(12,498)	26,469
Non-controlling interests		248	(2,107)
		(12,250)	24,362
Loss per share attributable to owners of the Company			
– Basic	9	HK (2.4) cents	HK (1.5) cents
– Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

		30 September 2019 (unaudited) HK\$'000	31 March 2019 (audited) HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	21,426	23,042
Right-of-use assets	12	30,666	–
Investment properties	13	87,000	88,800
Goodwill	14	–	–
Lease receivable		223	–
Interests in associates		9,674	10,496
Deferred tax asset		86	–
Deposits		7,069	7,598
		156,144	129,936
Current assets			
Inventories		4,252	3,716
Trade receivables	15	4,939	5,711
Lease receivable		1,301	–
Prepayments, deposits and other receivables		26,657	30,046
Amount due from an associate		477	5,690
Financial assets at fair value through profit or loss	16	4,397	13,650
Prepaid tax		479	501
Pledged deposits		17,110	22,589
Time deposits over three months	17	40,003	30,000
Cash and cash equivalents	17	55,077	92,177
		154,692	204,080

		30 September 2019 (unaudited) HK\$'000	31 March 2019 (audited) HK\$'000
	Notes		
Current liabilities			
Trade payables	18	64,594	89,114
Lease liabilities	12	23,562	–
Accrued charges, deposits received and other payables		26,150	32,155
Contract liabilities		37,982	33,809
Bank borrowings	19	3,171	3,412
Amounts due to associates		1,197	8,338
Provision for tax		744	474
Financial liabilities at fair value through profit or loss	16	81	60
		157,481	167,362
Net current (liabilities)/assets		(2,789)	36,718
Total assets less current liabilities		153,355	166,654
Non-current liabilities			
Deferred tax liabilities		76	56
Lease liabilities – long term	12	9,128	–
		9,204	56
Net assets		144,151	166,598
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	5,099	5,099
Reserves		139,940	162,635
		145,039	167,734
Non-controlling interests		(888)	(1,136)
Total equity		144,151	166,598

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to owners of the Company										Non-controlling interests HK\$'000	Total Equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share redemption reserve HK\$'000	Merger reserve HK\$'000	Foreign exchange reserve HK\$'000	Asset revaluation reserve HK\$'000	Other reserve HK\$'000	Proposed dividend HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 April 2018	5,136	57,779	-	(9,000)	(110)	-	1,304	10,272	97,868	163,249	(2,696)	160,553
Loss for the period	-	-	-	-	-	-	-	-	(7,940)	(7,940)	(2,107)	(10,047)
Other comprehensive income:												
Exchange alignment	-	-	-	-	(318)	-	-	-	-	(318)	-	(318)
Fair value adjustment upon transfer of property, plant and equipment to investment property (note 13)	-	-	-	-	-	34,727	-	-	-	34,727	-	34,727
Total comprehensive income for the period	-	-	-	-	(318)	34,727	-	-	(7,940)	26,469	(2,107)	24,362
Final dividend paid	-	-	-	-	-	-	-	(10,272)	30*	(10,242)	-	(10,242)
Repurchase of the Company's own shares	(35)	(2,039)	35	-	-	-	-	-	-	(2,039)	-	(2,039)
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	(1,931)	(1,931)
At 30 September 2018 (unaudited)	5,101	55,740	35	(9,000)	(428)	34,727	1,304	-	89,958	177,437	(6,734)	170,703

	Attributable to owners of the Company										Non-controlling interests HK\$'000	Total Equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share redemption reserve HK\$'000	Merger reserve HK\$'000	Foreign exchange reserve HK\$'000	Asset revaluation reserve HK\$'000	Other reserve HK\$'000	Proposed dividend HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 April 2019	5,099	55,629	37	(9,000)	(274)	34,727	(4,980)	10,197	76,299	167,734	(1,136)	166,598
Loss for the period	-	-	-	-	-	-	-	-	(12,192)	(12,192)	248	(11,944)
Other comprehensive income:												
Exchange alignment	-	-	-	-	(306)	-	-	-	-	(306)	-	(306)
Total comprehensive income for the period	-	-	-	-	(306)	-	-	-	(12,192)	(12,498)	248	(12,250)
Final dividend paid	-	-	-	-	-	-	-	(10,197)	-	(10,197)	-	(10,197)
At 30 September 2019 (unaudited)	5,099	55,629	37	(9,000)	(580)	34,727	(4,980)	-	64,107	145,039	(888)	144,151

* Due to the repurchase of the Company's own shares during the same period last year, the final dividend paid of HK\$10,242,000 is less than the proposed dividend of HK\$10,272,000. Accordingly, the difference of HK\$30,000 is transferred to retained profits.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Cash used in operations	(7,247)	(15,344)
Income tax refund/(paid)	<u>139</u>	<u>(20)</u>
Net cash used in operating activities	<u>(7,108)</u>	<u>(15,364)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(695)	(1,142)
Proceeds from disposal of investment property	–	56,000
Capital expenditure incurred for investment property	(23)	–
Expenditure incurred for right-of-use assets	(27)	–
Receipt from lease receivable	669	–
Net change in balances with associates	(1,928)	(297)
Dividend income	113	–
Decrease/(increase) in pledged deposits	5,479	(314)
Increase in time deposits with an original maturity of more than three months	(10,003)	(14,527)
Interest received	<u>1,106</u>	<u>721</u>
Net cash (used in)/generated from investing activities	<u>(5,309)</u>	<u>40,441</u>
Cash flows from financing activities		
Dividends paid	(10,197)	(10,242)
Settlement of lease liabilities	(13,077)	–
Repayment of bank and other borrowings	(241)	(18,054)
Repurchase of the Company's own shares	–	(2,039)
Interest paid	<u>(939)</u>	<u>(133)</u>
Net cash used in financing activities	<u>(24,454)</u>	<u>(30,468)</u>
Net decrease in cash and cash equivalents	(36,871)	(5,391)
Cash and cash equivalents at beginning of period	92,177	80,467
Effect of foreign exchange rate changes	<u>(229)</u>	<u>(208)</u>
Cash and cash equivalents at end of period	<u>55,077</u>	<u>74,868</u>



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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 Units A-C, 9/F., D2 Place TWO, 15 Cheung Shun Street, 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 provision of services relating to sales of air-tickets, hotel accommodation and other travel/wedding related products, sales of package tours, property investment and investment in treasury activities.

The condensed consolidated interim financial statements for the six months ended 30 September 2019 were approved and authorised for issue by the board of directors (the “Directors”) on 21 November 2019.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 September 2019 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 2019.

The Group recorded loss for the period of approximately HK\$11,944,000 during the six months ended 30 September 2019 and had net current liabilities of approximately HK\$2,789,000 as at 30 September 2019. Nevertheless, the directors of the Company have adopted going concern basis in the preparation of the consolidated financial statements of the Group based on that the Group can obtain sufficient financing from its bankers through the existing banking facilities and its ability to generate sufficient cash flows from future operations to cover its operating costs and to meet its financing commitments.

Consequently, the interim financial information has been prepared on a going concern basis. The interim financial information does not include any adjustments that would result should the Group be unable to operate as a going concern.

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 2019, 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 effective for the first time for annual periods beginning on 1 April 2019.

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 impact of the adoption of HKFRS 16 “Leases” has been summarised below. The other new or amended HKFRSs that are effective from 1 April 2019 did not have any material impact on the Group’s accounting policies.

HKFRS 16 – Leases (“HKFRS 16”)

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases (“HKAS 17”), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee’s perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor’s perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group’s accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect from initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 March 2019 to that of 1 April 2019 as follows (increase/(decrease)):

3. ACCOUNTING POLICIES (Cont'd)

HKFRS 16 – Leases (“HKFRS 16”) (Cont'd)

(i) Impact of the adoption of HKFRS 16 (Cont'd)

	HK\$'000
Statement of financial position as at 1 April 2019	
Right-of-use assets presented in property, plant and equipment	44,123
Prepayments, deposits and other receivables	(1,205)
Accrued charges, deposits received and other payables	(746)
Lease liabilities (current)	19,013
Lease liabilities (non-current)	24,651

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 April 2019:

	HK\$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of 31 March 2019	48,197
Less: short term leases for which lease terms end within 31 March 2020	(2,669)
Less: future interest expenses	(1,864)
	<hr/>
Total lease liabilities as of 1 April 2019	43,664

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 April 2019 is 4.7%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

3. ACCOUNTING POLICIES (Cont'd)

HKFRS 16 – Leases (“HKFRS 16”) (Cont'd)

(ii) **The new definition of a lease** (Cont'd)

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) **Accounting as a lessee**

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases; and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value.

3. ACCOUNTING POLICIES (Cont'd)

HKFRS 16 – Leases (“HKFRS 16”) (Cont'd)

(iii) Accounting as a lessee (Cont'd)

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at cost, less any accumulated depreciation and any impairment losses. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The Group has leased out its investment property and sub-leased a right-of-use asset to a number of tenants. The Group classified the sub-lease previously classified as operating lease under HKAS 17 as a finance lease under HKFRS 16 and accounted for the sub-lease as a new finance lease entered into at 1 April 2019. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these condensed consolidated interim financial statements except for the aforementioned impact.

3. ACCOUNTING POLICIES (Cont'd)

HKFRS 16 – Leases (“HKFRS 16”) (Cont'd)

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits, if any, at the date of initial application (1 April 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at 1 April 2019.

The Group has elected to recognise all the right-of-use assets at 1 April 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee’s incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 April 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases; and (ii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 April 2019.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group’s lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing this condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2019 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 16 as described in note 3.

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

The Group's principal activities are provision of services relating to sale of air-tickets, hotel accommodation and other travel/wedding related products, sales 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:

	Six months ended	
	30 September	
	2019	2018
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Provision of services relating to sales of travel/wedding related products (note)	78,671	104,901
Sales of package tours (note)	78,972	45,948
	157,643	150,849
Revenue from other source		
Rental income from investment properties	545	411
	158,188	151,260
Other income and gains		
Rental income from subleasing a right-of-use asset (2018: rental income)	168	371
Interest income on deposits in banks and financial institutions stated at amortised cost	1,013	721
Interest income on debt securities	93	–
Finance income on the net investment in a sub-lease agreement	41	–
Exchange gain	31	–
Dividend income from listed securities	113	–
Sundry income	4,542	5,588
	6,001	6,680
Total revenue, other income and gains	164,189	157,940

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

Note:

Total customer sales proceeds

	Six months ended 30 September 2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Gross sales proceeds related to provision of service relating to sales of travel/wedding related products*	556,994	698,645
Sales of package tours	<u>78,972</u>	<u>45,948</u>
Total customer sales proceeds	<u>635,966</u>	<u>744,593</u>

* The Group's gross sales proceeds from provision of services relating to 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.

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	30 September 2019 HK\$ (Unaudited)	31 March 2019 HK\$ (audited)
Trade receivables (note 15)	4,939	5,711
Contract liabilities	<u>37,982</u>	<u>33,809</u>

The Group has applied the practical expedient to its service contracts and therefore it does not disclose about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for provision of services relating to sales of travel and wedding related products and package tours that had an original expected duration of one year or less.

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

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by geographical markets, major service lines and timing of revenue recognition.

	Travel and travel/wedding related business Six months ended 30 September	
	2019	2018
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Geographical markets		
Hong Kong	157,588	150,783
The People's Republic of China (the "PRC") excluding Hong Kong	55	66
Total revenue from contracts with customers	157,643	150,849
Major service lines		
Provision of services relating sales of travel/wedding related products	78,671	104,901
Sales of package tours	78,972	45,948
Total revenue from contracts with customers	157,643	150,849
Timing of revenue recognition		
At a point in time	78,671	104,901
Transferred over time	78,972	45,948
Total revenue from contracts with customers	157,643	150,849

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

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 properties		Treasury activities		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Revenue								
From external customers	157,643	150,849	545	411	-	-	158,188	151,260
Reportable segment revenue	157,643	150,849	545	411	-	-	158,188	151,260
Reportable segment (loss)/profit	(5,727)	(8,492)	(2,298)	3,732	(678)	(2,316)	(8,703)	(7,076)

Interest income	998	388	-	-	108	333	1,106	721
Changes in fair value of investment properties	-	-	(1,823)	4,200	-	-	(1,823)	4,200
Finance costs	(901)	(60)	(38)	(73)	-	-	(939)	(133)
Dividend income	-	-	-	-	113	-	113	-
Depreciation on property, plant and equipment	(1,828)	(3,016)	(468)	(81)	-	-	(2,296)	(3,097)
Depreciation on right-of-use assets	(12,245)	-	-	-	-	-	(12,245)	-
Impairment loss on property, plant and equipment	(8)	(88)	-	-	-	-	(8)	(88)
Impairment loss on right-of-use assets	(934)	-	-	-	-	-	(934)	-
Impairment loss on goodwill	-	(445)	-	-	-	-	-	(445)
Loss on disposal of financial assets/liabilities at fair value through profit or loss	-	-	-	-	(226)	(1,033)	(226)	(1,033)
Fair value loss on financial assets/ liabilities through profit or loss	-	-	-	-	(256)	(18)	(256)	(18)
Share of loss of an associate	(60)	(114)	-	-	-	-	(60)	(114)
Gain on deregistration of a subsidiary	-	214	-	-	-	-	-	214

	Travel and travel/ wedding related business		Rental income from investment properties		Treasury activities		Total	
	At 30 September 2019	At 31 March 2019	At 30 September 2019	At 31 March 2019	At 30 September 2019	At 31 March 2019	At 30 September 2019	At 31 March 2019
	(unaudited) HK\$'000	(audited) HK\$'000	(unaudited) HK\$'000	(audited) HK\$'000	(unaudited) HK\$'000	(audited) HK\$'000	(unaudited) HK\$'000	(audited) HK\$'000
Reportable segment assets	184,724	188,409	104,964	107,459	10,906	21,538	300,594	317,406
Additions to non-current segment assets during the period/year	1,162	3,408	27	74	-	-	1,189	3,482
Reportable segment liabilities	157,840	158,392	6,394	6,843	141	94	164,375	165,329

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

Segment information (Cont'd)

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 2019		2018
	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000
Reportable segment revenue	158,188	151,260	151,260
Group revenue	158,188	151,260	151,260
Reportable segment loss	(8,703)	(7,076)	(7,076)
Share of loss/profit of associates	(692)	16	16
Other corporate expenses	(2,462)	(2,710)	(2,710)
Loss before income tax	(11,857)	(9,770)	(9,770)

	At 30 September 2019	At 31 March 2019
	(unaudited) HK\$'000	(audited) HK\$'000
Reportable segment assets	300,594	317,406
Other corporate assets	10,242	16,610
Group assets	310,836	334,016
Reportable segment liabilities	164,375	165,329
Other corporate liabilities	2,310	2,089
Group liabilities	166,685	167,418

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 2019	30 September 2018	At 30 September 2019	At 31 March 2019
	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(audited) HK\$'000
Hong Kong (domicile)	158,133	151,194	154,861	128,730
The PRC excluding Hong Kong	55	66	1,283	1,206
	158,188	151,260	156,144	129,936

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

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.

6. LOSS FROM OPERATIONS

	Six months ended 30 September	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Loss from operations is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment*	2,296	3,116
Depreciation of right-of-use assets**	12,245	–
Loss on disposal of property, plant and equipment	–	77
Loss on disposal of a right-of-use asset	256	–
Impairment loss on property, plant and equipment	8	88
Impairment loss on a right-of-use asset	934	–
Changes in fair value of investment properties (note 13)	1,823	(4,200)
Impairment loss on goodwill	–	445
Gain on deregistration of a subsidiary	–	(214)
Net foreign exchange (gain)/loss	(31)	307
Short term leases expenses (2018: Operating lease charges) in respect of leasehold premises		
– Minimum leases payments	5,056	23,001
Contingent rents in respect of leasehold premises***	49	82
Staff costs (including directors' remuneration)		
– Salaries	60,468	68,917
– Retirement scheme contribution	2,533	2,880
	63,001	71,797

6. LOSS FROM OPERATIONS (Cont'd)

- * Depreciation expenses of property, plant and equipment have been included in:
- selling and distribution costs of approximately HK\$638,000 for the six months ended 30 September 2019 (six months ended 30 September 2018: HK\$826,000); and
 - administrative expenses of approximately HK\$1,658,000 for the six months ended 30 September 2019 (six months ended 30 September 2018: HK\$2,290,000).
- ** Depreciation expenses of right-of-use assets have been included in:
- selling and distribution costs of approximately HK\$9,670,000 for the six months ended 30 September 2019 (six months ended 30 September 2018: nil); and
 - administrative expenses of approximately HK\$2,575,000 for the six months ended 30 September 2019 (six months ended 30 September 2018: nil).
- *** 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	
	2019	2018
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interests on bank borrowings	38	133
Interest on lease liabilities	901	–
	<u>939</u>	<u>133</u>

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2019	2018
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax – Hong Kong Tax for the period	153	865
Deferred tax	(66)	(588)
	<u>87</u>	<u>277</u>

8. INCOME TAX EXPENSE (Cont'd)

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 2018 and 2019 respectively.

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the six months ended 30 September 2018; and at 8.25% on the first HK\$2 million of estimated assessable profits and at 16.5% for the portion of the estimated assessable profits above HK\$2 million for the six months ended 30 September 2019.

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 PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to owners of the Company of approximately HK\$12,192,000 (six months ended 30 September 2018: HK\$7,940,000) and the weighted average number of ordinary shares in issue of 509,859,000 (six months ended 30 September 2018: 512,802,000) during the period.

No diluted loss per share is presented for six months ended 30 September 2018 and 2019 as there was no outstanding share option during the periods.

10. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group incurred capital expenditures of approximately HK\$390,000 (six months ended 30 September 2018: HK\$682,000) in leasehold improvements, approximately HK\$298,000 (six months ended 30 September 2018: HK\$394,000) in office equipment, approximately HK\$7,000 (six months ended 30 September 2018: HK\$66,000) in furniture and fixtures.

During the six months ended 30 September 2019, 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\$8,000 (six months ended 30 September 2018: HK\$88,000) was recognised and charged to the consolidated statement of comprehensive income for six months ended 30 September 2019. 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 related and wedding related business based on a management budget plan and a pre-tax discount rate of 8% and 8%, respectively.

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases certain properties and office equipment in Hong Kong and PRC. Following the adoption of HKFRS 16 by the Company on 1 April 2019, the right-of-use assets and the lease liabilities in respect of the leases were recognised at the date of initial application of HKFRS 16. The movements in right-of-use assets and lease liabilities during the period/year are as follows:

	30 September 2019 (unaudited) HK\$'000	31 March 2019 (audited) HK\$'000
Right-of-use assets		
At 1 April	44,123	–
Additions	2,151	–
Disposal	(2,408)	–
Depreciation charged	(12,245)	–
Impairment	(934)	–
Exchange realignment	(21)	–
	<u>30,666</u>	<u>–</u>
Net carrying amount		
	<u>30,666</u>	<u>–</u>
By class:		
<i>Depreciation charge for the six months ended 30 September 2019</i>		
Rental premises	12,117	–
Office equipment	128	–
	<u>12,245</u>	<u>–</u>
<i>Carrying amount as at 30 September 2019</i>		
Rental premises	29,834	–
Office equipment	832	–
	<u>30,666</u>	<u>–</u>
Lease liabilities		
At 1 April	43,664	–
Additions	2,124	–
Interest charged	901	–
Rental paid	(13,978)	–
Exchange realignment	(21)	–
	<u>32,690</u>	<u>–</u>
Net carrying amount		
	<u>32,690</u>	<u>–</u>
Lease liabilities		
– current portion	23,562	–
– non-current portion	9,128	–
	<u>32,690</u>	<u>–</u>
Net carrying amount		
	<u>32,690</u>	<u>–</u>

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Cont'd)

During the six months ended 30 September 2019, losses on travel and travel/wedding related business segment caused the Group to assess the recoverable amount of the right-of-use assets. Based on the assessment, an impairment loss of approximately HK\$934,000 was recognised and charged to the consolidated statement of comprehensive income for six months ended 30 September 2019. The recoverable amounts of these right-of-use assets using value in use calculation were determined by the discounted cash flows generated from these travel and travel related and wedding related business based on a management budget plan and a pre-tax discount rate of 8%.

13. INVESTMENT PROPERTIES

	30 September 2019 (unaudited) HK\$'000	31 March 2019 (audited) HK\$'000
At beginning of the period/year	88,800	–
Transferred from property, plant and equipment	–	80,600
Additions	23	2,216
Changes in fair value of investment properties	(1,823)	5,984
At end of the period/year	87,000	88,800

During the year ended 31 March 2019, the Group reclassified certain formerly self-occupied commercial and industrial properties in Hong Kong previously classified as land and buildings under property, plant and equipment as investment properties upon end of owner-occupation. The investment properties were situated in Hong Kong. The carrying amount of these units on the date of reclassification amounted to HK\$45,873,000 and the Group recognised a fair value gain of HK\$34,727,000 on the date of reclassification. The fair value gain amounting to approximately HK\$34,727,000 was recognised in asset revaluation reserve in equity.

The fair value of the Group's investment properties as at 30 September 2019 were 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.

13. INVESTMENT PROPERTIES (Cont'd)

The valuations were 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 2019 Range	31 March 2019 Range
Commercial properties	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\$18 to HK\$44	HK\$29 to HK\$42
		Reversionary yield	1.8% to 3.4%	2.9% to 3.2%
Industrial properties	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\$28 to HK\$33	HK\$19 to HK\$28
		Reversionary yield	3.1% to 4.1%	3.6% to 3.8%

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

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

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.

	2019 HK\$'000
Opening balance	88,800
Cost incurred	23
Changes in fair value of investment properties	(1,823)
Closing balance (level 3 recurring fair value)	87,000
Changes in unrealised loss for the period included in profit or loss for the assets held at 30 September	(1,823)

14. GOODWILL

	30 September 2019 (unaudited) HK\$'000	31 March 2019 (audited) HK\$'000
Gross carrying amount		
At beginning and end of the period/year	—	445
Accumulated impairment		
At the beginning of the period/year	—	—
Impairment losses recognised	—	(445)
At the end of the period/year	—	(445)
Net carrying amount	—	—

For the purpose of impairment testing, goodwill is allocated to the cash-generating unit of wedding business.

As at 31 March 2019, the recoverable amount for the cash-generating unit was determined based on the value in use calculations, covering a detailed four-year budget plan which represents the business cycle and strategy plan of the Group's wedding-related business and discount rate of 3% estimated by the management.

During the year ended 31 March 2019, the Group's wedding business experienced decrease in the revenue caused by unfavourable market conditions and intense price competition. This had an adverse impact on the estimated value in use of that cash generating unit and resulted in the recognition of an impairment loss of goodwill of HK\$445,000 in wedding business, which was expensed in the consolidated statement of comprehensive income.

The key assumption has been determined based on past performance and expectations for the market development after taking into consideration published market forecast and research. The discount rate used is pre-tax rate and reflects specific risks relating to the relevant segment.

Apart from the considerations described in determining the value in use of the cash-generating unit above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates. However, the key estimates are particularly sensitive to the market development.

15. TRADE RECEIVABLES

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

	30 September 2019 (unaudited) HK\$'000	31 March 2019 (audited) HK\$'000
0 – 30 days	3,392	3,931
31 – 90 days	1,053	1,524
Over 90 days	494	256
	<u>4,939</u>	<u>5,711</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.

16. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS AND FAIR VALUE MEASUREMENT

	30 September 2019 (unaudited) HK\$'000	31 March 2019 (audited) HK\$'000
Notes		
Financial assets at fair value through profit or loss:		
Equity securities held for trading, at fair value, listed in Hong Kong, the PRC and overseas	(a) 4,397	5,841
Debt securities held for trading, at fair value, listed in Hong Kong	(b) –	3,907
Debt securities held for trading, at fair value, listed in overseas	(b) –	3,902
	<u>4,397</u>	<u>13,650</u>
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments		
– Hang Seng Index future contract	(a) 18	60
– Hang Seng Index option	(a) 63	–
	<u>81</u>	<u>60</u>

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

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

Notes:

- (a) Fair values of these investments have been determined by reference to their quoted bid prices at the reporting date.
- (b) The fair values of debt securities are traded on over-the-counter ("OTC") are determined based on quoted market price available on the OTC market.

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 2019			
	Level 1 HK\$'000 (unaudited)	Level 2 HK\$'000 (unaudited)	Level 3 HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Financial assets/(liabilities) at fair value through profit or loss				
– Derivatives	(81)	–	–	(81)
– Listed equity securities	4,397	–	–	4,397
Total	4,316	–	–	4,316

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

	31 March 2019			Total HK\$'000 (audited)
	Level 1 HK\$'000 (audited)	Level 2 HK\$'000 (audited)	Level 3 HK\$'000 (audited)	
Financial assets/(liabilities) at fair value through profit or loss				
– Derivatives	(60)	–	–	(60)
– Debt securities	7,809	–	–	7,809
– Listed equity investments	5,841	–	–	5,841
Total	13,590	–	–	13,590

There were no transfers between levels during the period.

The carrying amounts of the financial instruments carried at amortised cost are not materially different from their fair values as at 30 September 2019 and 31 March 2019.

17. TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

	30 September 2019 (unaudited) HK\$'000	31 March 2019 (audited) HK\$'000
Cash deposits in banks and financial institutions	36,841	51,843
Short-term deposits in banks	58,239	70,334
	95,080	122,177
Less: Time deposits with an original maturity of more than three months	(40,003)	(30,000)
Cash and cash equivalents	55,077	92,177

18. 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 2019 (unaudited) HK\$'000	31 March 2019 (audited) HK\$'000
0 – 30 days	46,842	61,305
31 – 90 days	9,032	18,231
Over 90 days	8,720	9,578
	64,594	89,114

19. BANK BORROWINGS

	30 September 2019 (unaudited) HK\$'000	31 March 2019 (audited) HK\$'000
Secured bank borrowings		
Portion due for repayment within one year	492	486
Portion due for repayment after one year which contains a repayable on demand clause	2,679	2,926
	3,171	3,412

The Group's interest-bearing bank borrowing of approximately HK\$3,171,000 (31 March 2019: HK\$3,412,000) bears interest at a floating rate of 3.1% per annum below HKD Prime (31 March 2019: 2.15% per annum below HKD prime).

The current liabilities include bank borrowings of approximately HK\$2,679,000 (31 March 2019: HK\$2,926,000) 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 guarantee provided by the Company and the Group's land and building of approximately HK\$17,272,000 (31 March 2019: HK\$17,708,000) and investment property of approximately HK\$8,000,000 (31 March 2019: 8,800,000) as at 30 September 2019 and 31 March 2019.

20. SHARE CAPITAL

	30 September 2019		31 March 2019	
	Number of shares (unaudited) 000	Amount (unaudited) HK\$'000	Number of shares (audited) 000	Amount (audited) HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>2,000,000</u>	<u>20,000</u>	<u>2,000,000</u>	<u>20,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each				
At the beginning of the period/year	509,859	5,099	513,579	5,136
Repurchase of the Company's own shares	<u>-</u>	<u>-</u>	<u>(3,720)</u>	<u>(37)</u>
At the end of the period/year	<u>509,859</u>	<u>5,099</u>	<u>509,859</u>	<u>5,099</u>

21. COMMITMENTS

Operating lease commitments

As lessor

The Group's investment properties are 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 2019 (unaudited) HK\$'000	31 March 2019 (audited) HK\$'000
- Within one year	739	1,884
- In the second to fifth years, inclusive	<u>-</u>	<u>1,039</u>
	<u>739</u>	<u>2,923</u>

Capital commitment

As at 30 September 2019, 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\$470,000 (31 March 2019: HK\$176,000).

22. 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

	Six months ended 30 September 2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Rental expenses paid to an associate	<u>404</u>	<u>404</u>

Notes:

The terms of the above transactions are mutually agreed by the Group and the associate. 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 2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Short term employee benefits	<u>1,916</u>	<u>2,589</u>
Retirement scheme contribution	<u>26</u>	<u>30</u>
	<u>1,942</u>	<u>2,619</u>