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)

Annual Report
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)*

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

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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
Lai Chi Kok
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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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	2020 HK$'000	2019 HK$'000	Year-on-Year change
Profitability				
Total customer sales proceeds		**1,054,711**	1,415,684	–25.5%
Revenue				
– Service income from sales of travel/wedding related products		**124,645**	191,369	–34.9%
– Sales of package tours		**161,000**	112,347	+43.3%
– Rental income from investment properties		**1,519**	415	+266.0%
		287,164	304,131	–5.6%
Loss attributable to owners of the Company		**(45,311)**	(11,402)	
Loss per share — Basic (HK cents)	*1*	**(8.9)**	(2.2)	
Financial ratio				
Return on equity (%)	*2*	**–40.9%**	–6.8%	
Gearing ratio (%)	*3*	**2.6%**	2.0%	

Notes:

1 The calculation of the basic loss per share is based on 509,859,000 (2019: 509,931,000) weighted average number of ordinary shares in issue during the year.

2 Return on equity is calculated based on the loss for the year attributable to owners of the Company divided by the equity attributable to owners of the Company at the end of the year and multiplied by 100%.

3 Gearing ratio is calculated based on the bank borrowings divided by the total equity at the end of the year and multiplied by 100%.

CHAIRMAN'S STATEMENT

Dear Honorable Shareholders,

On behalf of the board of Directors (the "Board") of Travel Expert (Asia) Enterprises Limited (the "Company"), I would like to present to shareholders the financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2020.

During the year, the operating environment was extremely challenging and was subject to a high degree of uncertainty. The ongoing uncertainties caused by the Sino-US trade relations resulted in prudent and cautious private consumption and tightened corporate travel budget. Since the middle of 2019, the Hong Kong economy was hit hard by the large scale protests and demonstrations triggered by the now-withdrawn extradition bill. For the safety of staff and customers, shopping malls and shops were forced to close for business in the districts where large-scale public events were held, so was the shops of the Group. The closure of shops in the demonstration districts disrupted our normal business. In addition, the social instability dampened consumer sentiment and adversely affected the Group's operation. Worse still, the outbreak of Coronavirus Disease 2019 ("COVID-19") in early 2020 severely affected the travel industry. The epidemic created unprecedented challenges and caused a significant decrease in the Group's revenue and adversely impacted on the Group's financial performance for the year ended 31 March 2020. Governments around the world imposed strict travel restrictions and compulsory quarantine orders. The Group is particularly impacted by such restrictions as travel demand dropped to an unprecedented level. Customers adjusted or cancelled their travel plans and avoided non-essential travel outside Hong Kong. The Group cancelled and suspended package tours operated under the brand name of Premium Holidays（尊賞假期）since mid-March 2020 and up till now.

In response to the extremely difficult environment, the Group's management has made tremendous efforts to reduce costs and preserve working capital, including but not limited to downsizing the branch network, reducing staff costs and negotiating with landlords for rental reduction. Despite the challenges, as the business of trip planning and management of the private tour and MICE (meeting, incentive, conference and exhibition) team and the package tours of Premium Holidays（尊賞假期）recoded a strong growth trend before the epidemic, we continued to devote our efforts in enriching tour routes and product mix to pave the way for their future business growth.

Looking ahead, the China-US trade tensions and the uncertainty of the duration of the epidemic and the travel restrictions has seriously affected the business environment and the global economy. The Group's future operation, finance performance, cash flows and financial position may be materially affected by such uncertainties and changes in the future economic conditions. As the current unprecedented pressure and business operation difficulty are the biggest challenges to the travel industry that the Group has ever witnessed, the speed of recovery and the extent of any long-term impact remain uncertain and cannot be predicted at present. Nevertheless, the Group will continue to keep track of the epidemic development and react proactively to its possible impact on the performance of the Group.

Notwithstanding the potential risks or uncertainties the Group may face, the Group pays its best effort to maintain its operations. From the positive way, we are of the view that the crises may create opportunity for the Group to seize market opportunities as travel agencies with weaker competitiveness are likely to be eliminated under this extremely difficult environment. In view of the high degree of uncertainties on the duration of the epidemic, the Group will continue to pursue and maintain a conservative but proactive approach in the business operation and to ensure the Group stays competitive in the market. Besides, the Group will continue to adopt the prudent approach in financial management and make the utmost efforts to maintain sufficient cash on hand to meet its business needs.

Although travel industry currently has not seen any signs of recovery, we expect when travel restrictions are eased, there will have a gradual increase in travel demand. To reduce the risk of infection, customers may prefer relaxing FIT (free independent travellers) packages and small size group tours rather than traditional tour groups or cruise trips. We anticipate that at the beginning of resumption of flight services, the flight schedule may not be stable. Customers may prefer booking flights and hotels with traditional travel agents rather than online travel agents as in the event of any unexpected situations occurred, we are able to provide flexible support and services.

As always, we remain committed to strengthening our market position by providing customized group tours and unique itinerary planning and management services. The management will strive to place the Group in a better position to compete vigorously and to seize any opportunities that may arise when there are any signs of recovery.

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, 29 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the year ended 31 March 2020, as indicated in the profit warning announcement issued by the Company on 25 March 2020, the results for the year declined significantly as compared to the previous year mainly due to the outbreak of Coronavirus Disease 2019 ("COVID-19"). For the year under review, the Group recorded a loss of HK$45.1 million as compared with a loss of HK$13.6 million for the previous year. The Group's total customer sales proceeds was HK$1,054.7 million, representing a decrease of 25.5% as compared with HK$1,415.7 million for the previous year. The total revenue for the year decreased to HK$287.2 million (2019: HK$304.1 million), representing a decrease of 5.6% over the previous year.

During the year, the Group recorded a valuation loss of HK$3.9 million in our investment properties. Excluding the property valuation loss and non-controlling interests, the loss for the year attributable to owners of the Company was HK$41.4 million (2019: HK$17.4 million). Overall, the Group's loss for the year was HK$45.1 million, representing a decrease of bottom line from the loss of HK$13.6 million for the previous year. Loss per share attributable to owners of the Company for the year was HK8.9 cents (2019: HK2.2 cents). The Board has resolved not to declare a final dividend for the year ended 31 March 2020 (2019: HK2.0 cents per ordinary share).

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 year, a series of unexpected events outside the Group's control has caused significant challenges for the travel industry. Apart from facing the inherent keen competition within the industry, this business line was adversely impacted by the political and social issues since the middle of 2019. Months of protests across the city disrupted its business operations of the shops in the demonstration districts. The social and political unrest also adversely affected the Hong Kong economy and customer sentiment. In early 2020, the outbreak of COVID-19 further created unprecedented pressure for travel industry. Strict travel restrictions and compulsory quarantine orders imposed by governments around the world led to a significant reduce in travel demand. Customers adjusted or cancelled their travel plans. The sales and revenue of this business line declined drastically to a record low level. In response to this unprecedented challenge, the Group implemented a number of cash preservation measures, such as downsizing the branch network, reducing staff costs and negotiating with landlords for rental reduction. Despite the unfavourable operating environment, we remained committed to providing customers with professional services and trip planning advices. We allocated resources to provide customers with assistance in re-scheduling or cancellation of travel plans and respond to a considerable number of customer refund requests. The Group continued to strengthen its private tour and MICE (meeting, incentive, conference and exhibition) team, which was established to provide customized small group tours, study tours and MICE tours to meet individual needs of customers.

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 and etc. During the year, like the FIT business operated by Travel Expert, the online business faced similar significant challenges. It was also hit hard by the outbreak of COVID-19. Strict travel restrictions made its sales dropped to an unprecedented level. The recovery of its business will largely depend on the duration and the extend of negative impacts of the epidemic, which remain uncertain. Nevertheless, the Group will continue to closely monitor the epidemic evolution and react proactively to the market situation.

The Group's tour operation is operated by Premium Holidays Limited (尊賞假期有限公司) ("Premium Holidays") with focus on operating high-end long haul tours business. During the first half of the year, with the Group's continued efforts in launching market initiatives to enhance its branding and enrich tour routes, themes and features of the package tours, this business line recorded a strong business growth and recorded a significant increase in the number of passengers and departure tours. However, as the outbreak of COVID-19 in early 2020, governments around the world imposed strict travel restrictions and compulsory quarantine orders that significantly affected customer travel demand. In around mid-March 2020, as the Hong Kong Government issued the red outbound travel alert on all overseas countries and territories and imposed 14-day compulsory quarantine orders on all people arriving in Hong Kong who have been to all overseas countries and territories, Premium Holidays cancelled and suspended all package tours with departure date after mid-March and up till now. This business line faced an extremely difficult operation environment. Facing this significant challenge, this business line implemented cost control measures to reduce its operational and staff costs. However, it remained committed to providing customers enjoyable journey and enhanced travel experience through quality services and diversified package 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"). The performance of this segment recorded a loss in the year due to market volatility. We will continue to closely monitor the market situation and make investment decisions prudently in order to help the Group to better utilize its surplus fund and contributed to its bottom line.

FINANCIAL REVIEW

Selling and Distribution Costs

For the year ended 31 March 2020, selling and distribution costs amounted to HK$132.7 million, representing a decrease of 22.3% from HK$170.7 million for the previous year. The selling and distribution costs accounted for 80.7% of the Group's total gross profit, having increase from 80.3% in the last year.

The decrease of selling and distribution cost was mainly due to reduction of frontline staff cost that was contributed by the reduction of frontline headcounts and less sales commission expenses and other staff costs. Also, there was a moderate decrease of the average rental of retail premises. During the year, in response to challenging operation environment due to the outbreak of COVID-19, we continue streamlined our branch network in order to reduce costs to preserve working capital. Besides, the Group carried out strict cost control measures and strived 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 31 March 2020, the Group operated a total of 27 retail shops in Hong Kong under the brand names of Travel Expert and Premium Holidays.

Administrative Expenses

For the year ended 31 March 2020, administrative expenses amounted to HK$83.0 million, representing an increase of 10.2% from HK$75.3 million for the last year. Administrative expenses accounted for 50.5% of the Group's total gross profit, which increased from 35.4% in the last year. The increase was mainly due to the total impairment losses of approximately HK$22.6 million for the year (please refer to note 6 to the consolidated financial statements for details).

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 control the overall administrative expenses at a more reasonable level. 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 streamlining existing working process.

Finance Costs

Finance costs of the Group for the year was HK$1.7 million, of which as to HK$71,000 was related to the interest-bearing bank borrowing of mortgage loans for the Group's properties (2019: HK$172,000) and as to HK$1.6 million was related to the interest on lease liabilities due to adoption of HKFRS 16 from 1 April 2019 (2019: 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. For the year ended 31 March 2020, the Group had a significant operating cash outflow of approximately HK$63.3 million and the net assets value was HK$111.0 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$44.1 million as at 31 March 2020 (as at 31 March 2019: HK$122.2 million). As at 31 March 2020, the Group had investment properties of HK$84.9 million (as at 31 March 2019: HK$88.8 million) and the Group had not held a portfolio of financial assets at fair value through profit or loss (as at 31 March 2019: HK$13.7 million). To improve the liquidity and financial position, the management has been implementing various measures to reduce operating costs and identifying opportunities to realise certain non-current assets of the Group.

As at 31 March 2020, the gearing ratio (interest-bearing borrowings divided by total equity) was 2.6% as compared with 2.0% as at 31 March 2019.

Contingent Liabilities
The Group did not have any contingent liabilities as at 31 March 2020.

Capital Commitments
As at 31 March 2020, 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$211,000 (as at 31 March 2019: HK$176,000).

Pledge of Assets
As at 31 March 2020, the Group had outstanding bank loans amounting in total of HK$2.9 million (as at 31 March 2019: HK$3.4 million) which were repayable on demand and secured by the Group's leasehold land and buildings and investment properties.

Foreign Exchange Risks and Treasury Policies
The Group has foreign currency exposures that mainly arise from the balance of assets and liabilities in currencies other than in Hong Kong dollar, the Group's functional currency. The Group's policy requires the management to monitor the Group's foreign exchange exposure by closely monitoring the movement of foreign currency rates. The management may purchase foreign currency at spot rate, when and where appropriate for the purpose of meeting the Group's future payment obligation in foreign currency. With the setup of Travel Expert Asset Management together with the extension of investment scope, the Group may use more financial tools such as foreign exchange forward contracts and currency futures etc. to manage the foreign exchange risks. For the year ended 31 March 2020, a net foreign exchange gain of approximately HK$543,000 was recorded (2019: exchange loss of approximately HK$71,000).

Human Resources and Employee's Remuneration
As at 31 March 2020, the Group had a total workforce of 237 (as at 31 March 2019: 440), of which about 62.4% were frontline staff. Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. Other benefits include contributions to mandatory provident fund and medical insurance coverage. In addition, the Group has adopted a Share Option Scheme to recognize the contributions of our staff and to provide them with incentives to stay with the Group. The remuneration policy will be reviewed by the Board from time to time. Emoluments of Directors are determined by the Remuneration Committee after considering the Group's operating results, individual performance and comparing with market conditions.

Event after the Reporting Period
On 16 June 2020, Profit Genius Marketing Solutions Limited, an indirect wholly-owned subsidiary of the Company, as vendor, entered into a provisional agreement for sale and purchase with an independent third party, as purchaser, relating to the sale and purchase of the property at Flats A and C on 1st Floor, Han Chung Mansion, Nos. 8 and 10 Hankow Road, Kowloon at a consideration of HK$28.0 million and subject to the terms and conditions thereof (the "Disposal"). A formal agreement for the Disposal is expected to be signed by the parties on or before 3 July 2020. The completion of the Disposal is expected to take place on or before 16 September 2020. For details of the Disposal, please refer to the announcement of the Company dated 16 June 2020.

Saved as above, there was no other important event affecting the Company and its subsidiaries which has occurred since the year ended 31 March 2020.

OUTLOOK

The business environment is expected to be more challenging than ever as many uncertainties continue to prevail in the Hong Kong and global economies. In view of the unpredictability of future development of the ongoing Sino-US trade tensions, local political and social incidents and the unprecedented pandemic spread over the world, the operating environment will be extremely difficult in the coming year.

Given the speed of recovery and the extent of any long-term impact of the epidemic cannot be predicted accurately at present, the Group's future operation, finance performance, cash flows and financial position may be materially impacted by the further development of the epidemic. Nevertheless, the Group will continue to keep track of the epidemic development and react proactively to its possible impact on the performance of the Group.

Under the unprecedented pressure, the Group will pay its best effort to maintain its business operations and continue to actively streamline the branch network and reduce costs to preserve working capital. Furthermore, to maintain and strengthen the Group's further development, we will continue to focus resources on the development of our two major business lines, Travel Expert and Premium Holidays.

In respect of Travel Expert, the Group has been committing continuous efforts in transforming its business from a FIT travel package selling company to a trip planning and tour service company. The Group will continue to allocate resources to strengthen the development of the private tour and MICE team. As governments and people in Asian countries adopted more rigorous measures to prevent the spread of the epidemic, we believe that the markets in Asian countries will recover on a faster pace. Seeing the increasing demand for customized itinerary and study tours in recent years coupled with our prediction that customers may prefer relaxing FIT packages and small size group tours in order to reduce the risk of infection, to seize the opportunities that may arise after the subsiding of the epidemic and ease of travel restrictions, we take positive and proactive steps to plan ahead for featured short haul package tours with competitive price for this business line. We expect that operating short haul tours will drive its business growth and broaden the customer base.

In respect of Premium Holidays, it is difficult to predict when the travel demand for long haul tours will return to normal. To cope with the difficult time and uncertainties, we will continue to reduce its costs and to enhance the operational efficiency. Nevertheless, the Group remains commitments in providing customers with unique travel experience and quality services. We continue to allocate considerable resources to strengthen its market position and enrich its tour routes. In addition, we continue to maintain good interactions with consumers and supplies. We will make on-going efforts to enhance its competitiveness in order to place Premium Holidays in a better position to seize market opportunities when the epidemic subsided.

In short, albeit the extremely difficult environment, the management will continue to manage our finance prudently and will use its utmost efforts to maintain the Group's operation and preserve working capital to meet its business needs. The Group will adopt responsive measures to overcome this difficult time and strive to recover its profitability.

DIRECTORS' BIOGRAPHIES

EXECUTIVE DIRECTORS

Mr. Ko Wai Ming, Daniel, aged 60, became the Chairman and an Executive Director of the Company on 6 September 2011 and 30 September 2010 respectively. Mr. Ko has over 18 years of experience in the travel industry. He is primarily responsible for the strategic business direction and major decision making of the Group. Mr. Ko joined the Group in January 2001. Mr. Ko began his career in 1980 with Midland Holdings Limited group of companies where he worked for 10 years and held various senior management positions, with his last position being managing director. Mr. Ko holds a degree of Master of Business Administration from University of Birmingham, U.K. Mr. Ko is the spouse of Ms. Cheng Hang Fan, the Chief Executive Officer and an Executive Director of the Company.

Ms. Cheng Hang Fan, aged 61, is one of the co-founders of the Group and became the Chief Executive Officer and an Executive Director of the Company on 6 September 2011 and 30 September 2010 respectively. Ms. Cheng has over 34 years of experience in the travel industry. She is primarily responsible for the Group's overall management and operation, business development and strategic planning. Ms. Cheng is the spouse of Mr. Ko Wai Ming, Daniel, the Chairman and an Executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mak King Sau, aged 46, was appointed as an Independent Non-executive Director of the Company on 29 June 2011. Mr. Mak is a member of the American Institute of Certified Public Accountants. He graduated from Boston University with a Bachelor of Science in Business Administration and was awarded a Master of Science in Financial Management from University of London. Mr. Mak served various senior management positions in investment institutions. He has more than 18 years of experience in corporate finance and private equity fund investment. From 2010 to 2012, he worked for Sino-Life (Hong Kong) Limited (a wholly-owned subsidiary of Sino-Life Group Limited (stock code: 8296)) as general manager. From 2007 to 2018, Mr. Mak was an independent non-executive director of Xinjiang Tianye Water Saving Irrigation System Company Limited (stock code: 840), a company listed on The Stock Exchange of Hong Kong Limited. Mr. Mak has been the vice president of Titan Financial Services Limited, which is licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since January 2020.

Mr. Szeto Chi Man, aged 63, was appointed as an Independent Non-executive Director of the Company on 20 April 2011. Mr. Szeto holds a Master of International and Public Affairs from The University of Hong Kong, a Doctor of Business Administration from University of South Australia, a Master of Philosophy in Information Systems from City University of Hong Kong and a Master of Applied Science from University of Technology, Sydney. Mr. Szeto has around 15 years of experience in the development and administration of academic course and corporate training. He joined the School of Professional and Continuing Education of the University of Hong Kong ("HKU SPACE") in 2001. Prior to his retirement in April 2016, Mr. Szeto was an associate head of the College of Life Sciences and Technology of HKU SPACE. In 2004, Mr. Szeto was elected a chartered member of The British Computer Society. For about 20 years prior to joining HKU SPACE, Mr. Szeto had been engaged in the information technology field as consultant in information technology companies to provide business solutions for client enterprises on project basis and as in-house information technology professional responsible for development of business solutions.

Mr. Yung Ha Kuk, Victor, aged 66, was appointed as an Independent Non-executive Director of the Company on 20 April 2011. Mr. Yung holds a Master of Science in Corporate Governance and Directorship awarded by Hong Kong Baptist University. He is a fellow of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Yung is a professional accountant with over 40 years of working experience in the financial and accounting fields. He served in management positions in various multinational companies in Asia. Mr. Yung is also an independent non-executive director of Lippo Limited (stock code: 226), Lippo China Resources Limited (stock code: 156) and Hongkong Chinese Limited (stock code: 655), the securities of which are listed on The Stock Exchange of Hong Kong Limited.

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Directors") of the Company (the "Board") is committed to maintaining and ensuring high standards of corporate governance in order to achieve effective accountability and safeguard the interests of shareholders of the Company. During the year ended 31 March 2020, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiries to all Directors, all of them confirmed that they had complied with the required standards as set out in the Model Code during the year.

BOARD OF DIRECTORS

The Board is responsible for the leadership and monitoring of the Group's businesses, strategic decisions and overall performance. The day-to-day management responsibility is delegated to the Executive Directors who perform their daily duties under the leadership of the Chief Executive Officer. During the year ended 31 March 2020, Mr. Kam Tze Ming, Alfred resigned as the Chief Operating Officer and an Executive Director of the Company with effect from 15 June 2019 due to retirement and Mr. Chan Wan Fung resigned as Chief Financial Officer and an Executive Director of the Company with effect from 1 February 2020 due to personal reasons and other commitments. After their resignations, the Board consists of five members, including two Executive Directors and three Independent Non-executive Directors ("INEDs"). Each Executive Director is suitably qualified for his/her position, and has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently. One of the INEDs has the professional qualifications or accounting or related financial management expertise required by the Listing Rules. Throughout the year, the Company has three INEDs representing not less than one-third of the Board pursuant to Rule 3.10A of the Listing Rules.

The composition of the Board during the year is as follows:

Executive Directors	Mr. Ko Wai Ming, Daniel *(Chairman)* Ms. Cheng Hang Fan *(Chief Executive Officer)* Mr. Kam Tze Ming, Alfred *(Chief Operating Officer)* (resigned on 15 June 2019) Mr. Chan Wan Fung *(Chief Financial Officer)* (resigned on 1 February 2020)
Independent Non-executive Directors	Mr. Mak King Sau Mr. Szeto Chi Man Mr. Yung Ha Kuk, Victor

All our INEDs have served as our Board members for more than nine years. The Company has received from each of its INEDs an annual confirmation of their independence from the Group. The Board and the Nomination Committee consider the individual directors' character and judgement as demonstrated by their commitment and contribution to the Board during their years of service and other relevant factors. Our INEDs, despite their length of service, provide invaluable expertise, experience, continuity and stability to the Board. We are confident the Company has benefited greatly from their contribution and valuable insights derived from their in-depth knowledge of the Company. The Board is of the view that each of our INEDs meets the independence guidelines set out in Rule 3.13 of the Listing Rules and that they are able to continue to fulfill their roles as required.

The Board members have no financial, business, family or other material/relevant relationship with each other except those disclosed in the director biographical details. Given the business nature and scope of the Company, the Board has appropriate skill and experience for the requirements of the business of the Company.

The Board schedules at least four regular meetings a year on quarterly basis and also meets as and when required. During the year ended 31 March 2020, the Board held four regular meetings which were in line with the meeting schedule. At least 14 days' notice of a regular Board meeting is given to all Directors pursuant to code provision A.1.3 of the CG Code to ensure them to have an opportunity to attend the meeting and include discussion items in the agenda. The Company Secretary assists the Chairman in establishing the meeting agenda and consolidates the requests from each Director for discussion in the agenda. The agenda and the appropriate information related to the matters for discussion are circulated normally three days in advance of Board meetings to the Directors. All Directors have given sufficient time and attention to the affairs of the Group.

The Board and committee minutes are recorded in appropriate detail and draft minutes are circulated to all Directors and committee members for comments before being approved by the Board and committees and signed by the respective Chairman. All minutes are kept by the Company Secretary and are open for inspection by the Directors. In addition, the Company provides all Board members including INEDs with monthly update pursuant to code provision C.1.2 of the CG Code.

All the Directors including INEDs have been appointed for specific terms. According to the Article 84 of the Articles of Association of the Company (the "Articles"), one-third of the Directors for the time being (or, if their number is not multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall subject to retirement at an annual general meeting of the Company at least once every three years. All retiring Directors shall be eligible for re-election.

Article 83(3) of the Articles provides that (i) any director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the shareholders after his appointment and be subject to re-election at such meeting, and (ii) any director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code requires the roles of the chairman and chief executive should be separate and should not be performed by the same individual. The Chairman of the Company is Mr. Ko Wai Ming, Daniel and the functions of Chief Executive Officer are performed by his spouse, Ms. Cheng Hang Fan. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by two separate individuals. The Chairman of the Board is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the daily business of the Group in all aspects effectively.

Despite of the close relationship between the Chairman and the Chief Executive Officer, the Board believes that this arrangement is able to deliver strong and consistent leadership, facilitating the Group to make decisions promptly and efficiently. The Board also considers that this arrangement will not impair the balance of power and authority because the balance of power and authority is ensured by the effective operation of the Board, which comprises experienced and high caliber individuals who will meet regularly to discuss issues affecting operation of the Group. The Board has full confidence that their appointment to the positions of the Chairman and the Chief Executive Officer is beneficial to the business prospects of the Group.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company continuously updates the Directors on the Group's business and the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

During the year, the Directors have participated in the following trainings:

	Type of trainings		
Name of Directors	**A**	**B**	**C**
Executive Directors:			
Mr. Ko Wai Ming, Daniel *(Chairman)*	–	✓	✓
Ms. Cheng Hang Fan *(Chief Executive Officer)*	–	✓	✓
Mr. Kam Tze Ming, Alfred (*Chief Operating Officer)* (resigned on 15 June 2019)	–	–	✓
Mr. Chan Wan Fung *(Chief Financial Officer)* (resigned on 1 February 2020)	✓	✓	✓
Independent Non-executive Directors:			
Mr. Mak King Sau	✓	✓	✓
Mr. Szeto Chi Man	✓	✓	✓
Mr. Yung Ha Kuk, Victor	✓	✓	✓

A: Seminars/conferences relevant to directors' duties and responsibilities

B: Reading materials given by the Company relating to the Company's business and regular updates on Listing Rules and other applicable regulatory requirements relevant to directors' duties and responsibilities

C: Reading newspapers, journals, books and updates relating to the economy, environment and social issues or the directors' duties and responsibilities

BOARD COMMITTEES

The Company has established three committees, i.e. Nomination Committee, Remuneration Committee and Audit Committee, to support the Board's functions. Each of the committees has its specific written terms of reference and currently all the committees are headed by INEDs. The committees are required to make recommendations and report to the Board about their decisions on specific areas. The procedures and arrangements for a Board meeting, as mentioned in the section headed "Board of Directors" of this report, have been adopted for the committee meetings so far as practicable. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members for information.

The attendance records of Directors at the Board meetings and the attendance records of Committee Members at the meetings of Nomination Committee, Remuneration Committee and Audit Committee during the year are set out below:

	Number of meetings attended/held			
Name of Directors	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**
Executive Directors:				
Mr. Ko Wai Ming, Daniel *(Chairman)*	4/4	3/3	–	–
Ms. Cheng Hang Fan *(Chief Executive Officer)*	4/4	–	2/2	–
Mr. Kam Tze Ming, Alfred *(Chief Operating Officer)* (resigned on 15 June 2019)	–	–	–	–
Mr. Chan Wan Fung *(Chief Financial Officer)* (resigned on 1 February 2020)	3/4	–	–	–
Independent Non-executive Directors:				
Mr. Mak King Sau	4/4	3/3	2/2	2/2
Mr. Szeto Chi Man	4/4	3/3	2/2	2/2
Mr. Yung Ha Kuk, Victor	4/4	3/3	2/2	2/2

NOMINATION COMMITTEE

The Nomination Committee was established on 20 April 2011 with written terms of reference in line with the provisions of the CG Code. This Committee currently consists of four members, including Mr. Szeto Chi Man (Chairman of the Committee), Mr. Mak King Sau, Mr. Yung Ha Kuk, Victor, all being INEDs, and Mr. Ko Wai Ming, Daniel, being an Executive Director and the Chairman of the Board.

The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; assess the independence of INEDs; and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the Chief Executive.

The Company has adopted a nomination policy (the "Nomination Policy") in 2019. The policy sets out selection criterial and nomination procedures that enable the Company to achieve board diversity in order to enhance the effectiveness of the Board and its corporate governance standard.

The Company has a board diversity policy (the "Board Diversity Policy") since 2013. The policy sets out the approach to achieve diversity in the Board. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. All Board appointments will be made on merit basis and candidates will be considered against objective criteria. Selection of candidates will be based on the Company's Nomination Policy and the Company will take into account the Board Diversity Policy during the selection process. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board and also needs of the Board without focusing on a single diversity aspect. In designing the Board's composition, the Board diversity has been considered from a wide range of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional, experience, skills, knowledge and length of service and any other factors that the Board may consider relevant and applicable from time to time. The Company will also take into account factors based on its own business model and specific needs from time to time.

The Nomination Committee will monitor the implementation of the Nomination Policy and the Board Diversity Policy and review these policies, as appropriate, to ensure their effectiveness.

During the year, the Nomination Committee performed the works as summarized below:

(1) reviewed the structure, size and composition of the Board and considered that the composition of the Board, despite no replacement for Mr. Kam Tze Ming, Alfred and Mr. Chan Wan Fung after their resignations, was appropriate to the Company and no further change to the Board was proposed; and

(2) reviewed and recommended the retirement and re-election of Directors for the 2020 annual general meeting.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 20 April 2011 with written terms of reference in line with the provisions of the CG Code. This Committee currently consists of four members, including Mr. Mak King Sau (Chairman of the Committee), Mr. Szeto Chi Man, Mr. Yung Ha Kuk, Victor, all being INEDs, and Ms. Cheng Hang Fan, being an Executive Director and the Chief Executive Officer of the Company.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; to make recommendations to the Board on the remuneration packages of individual Executive Directors, Non-executive Directors and senior management; to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries; to review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; to ensure that no Director or any of his associates is involved in deciding his own remuneration; and to form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders who are Directors with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, and to advise whether such contracts are in the interests of the Company and its shareholders as a whole, and advise shareholders on how to vote.

During the year, the Remuneration Committee reviewed and recommended the remuneration proposal for Directors for the financial year of 2020–2021 for the Board's approval.

AUDIT COMMITTEE

The Audit Committee was established on 20 April 2011 with written terms of reference in line with the provisions of the CG Code. This Committee currently consists of three members, including Mr. Yung Ha Kuk, Victor (Chairman of the Committee), Mr. Mak King Sau and Mr. Szeto Chi Man, all being INEDs. The Chairman of the Audit Committee, Mr. Yung Ha Kuk, Victor possesses appropriate professional qualifications in finance and accounting and meets the requirements of Rule 3.21 of the Listing Rules.

The Audit Committee acts as the key representative body for overseeing the Company's relations with the external auditor. The primary duties are to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; to develop and implement policy on engaging an external auditor to supply non-audit services; to monitor integrity of the Company's financial statements and annual report and accounts, half-year report, and to review significant financial reporting judgments contained in them; to review the Company's financial controls, risk management and internal control systems; to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; to review the group's financial and accounting policies and practices; to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response; to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter; and to review arrangements by which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the year, the Audit Committee performed the works as summarized below:

(1) reviewed and recommended the unaudited interim results and the audited consolidated annual results of the Group for the Board's approval;
(2) reviewed the Report on Internal Control Review as prepared by an independent internal control consultant; and
(3) reviewed the Group's Risk Register and Risk Management Report.

DIRECTORS' REMUNERATION

The Directors' remuneration and all other emoluments paid or payable to the Directors during the year are set out on an individual and named basis in note 11 to the consolidated financial statements of this annual report on page 73.

AUDITOR'S REMUNERATION

The fee charged by the Company's external auditor in respect of the audit and non-audit services to the Group during the year is summarized as below:

Services Type	HK$'000
Audit services – Annual audit	630
Non-audit services	170
Total	**800**

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out below:

(a) to develop and review the Company's policies and practices on corporate governance;
(b) to review and monitor the training and continuous professional development of Directors and senior management;
(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

To indemnify Directors and officers of the Company against all costs, charges, losses, expenses and liabilities incurred by them in the execution of and discharge of their duties or in relation thereto, the Company has arranged insurance cover for this purpose.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for maintaining a sound and effective risk management and internal control system of the Group to safeguard shareholders' investment and the Company's assets. During the year, the Company appointed an independent internal control consultant to perform a review of the internal control system and procedures of the Group which mainly covered the fixed assets cycle, which including the review on the acquiring, depreciating, disposal and impairment, managing and safeguarding and maintaining records of fixed assets as well as segregation of duties over fixed assets management. The report on internal control review 2019/20 listed out the findings in regard to the relevant policies and procedures with recommendations proposed for the Company to further improve its risk management and internal control system.

The Company has adopted a Risk Management Policy (the "RM Policy") since 2016 to define a management framework with appropriate procedures to identify, assess and mitigate risks where possible and to continually monitor risks as other risks or threats emerge. The ultimate objective of the RM Policy is to ensure that the risk and uncertainty of the Group is properly managed on the group level. Further details of the Group's risk management are included under the section headed "Risk Management Report" in this annual report.

The Company has adopted an inside information policy in June 2013 which sets out the guidelines to the employees to ensure inside information of the Group would be handled and disseminated properly in accordance with applicable laws and regulations.

The Company has a formal whistle-blowing policy to encourage staff to raise serious concerns, in confidence, to the Audit Committee about possible improprieties in any matter about the Group. During the year under review, the Audit Committee did not receive any complaints or concerns raised by the staff.

ACCOUNTABILITY AND AUDIT

The Board is responsible for the preparation of the financial statements of the Group according to the statutory requirements and the applicable accounting standards which give true and fair view of the state of affairs, the results of operations and cashflows of the Group. The Board confirms that, to the best of their knowledge, the financial statements for the reporting year have been prepared on a going concern basis.

The responsibilities of the external auditor of the Company on the financial statements are set out in the section headed "Independent Auditor's Report" in this annual report.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company. During the year under review, the Company Secretary has taken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

DIVIDEND POLICY

In 2019, the Company has adopted a dividend policy (the "Dividend Policy") which allows the shareholders of the Company to share the profits of the Company whilst retaining adequate reserves for the future growth of the Group. The Company considers stable and sustainable returns to the shareholders to be the goal. The Dividend Policy is to enhance transparency of the Company and facilitating the shareholders and investors to make informed investment decisions relating to the Group. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things, the following factors:

(a) the Group's actual and expected financial performance;
(b) the Group's expected working capital requirements, capital expenditure requirements and future development plans;
(c) the Group's retained earnings and distributable reserves;
(d) general business conditions and strategies;
(e) taxation considerations;
(f) the Group's liquidity position;
(g) the debt ratio and possible effects on the credit lines;
(h) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
(i) any other factors that the Board deems relevant.

The payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and any other applicable laws, rules and regulations and the articles of association of the Company. There can be no assurance that dividends will be proposed or declared in any particular amount for any specific periods.

COMMUNICATION WITH SHAREHOLDERS

The Company's shareholders communication policy is to ensure proper communication with the Company's shareholders, both individual and institutional in order to enable them to have timely access to the relevant information about the Company including its financial performance, major business developments, governance and risk profile.

Annual general meeting ("AGM") of the Company is a valuable avenue for the Board to have dialogue directly with shareholders. All the Directors of the Company attended the 2019 AGM and the Chairman of the Board as well as the Chairman of each of the Board Committees made themselves available to answer questions at the 2019 AGM. External auditor was invited and attended the AGM to address shareholders' enquiries.

Under the Listing Rules, all votes of the shareholders at general meetings will be taken by poll.

Shareholders can send in their enquiries in writing to Company Secretary at the Company's principal place of business in Hong Kong. The Board will seriously consider shareholders' enquiries and address them accordingly. During the reporting period, no shareholders' enquiry was received.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting by Shareholders

Pursuant to Article 58 of the Company's Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Other shareholders' enquiries can be directed in writing with contact details (including name, address, telephone number and/or email address) to the Company's principal place of business in Hong Kong at Units A-C, 9th Floor, D2 Place TWO, 15 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong (the "Principal Place of Business") for the attention of the Company Secretary.

Procedures for Putting Proposals at Shareholders' Meetings

Shareholders' are welcome to suggest proposals to be discussed at general meetings. Proposals should be directed in writing with contact details (including name, address, telephone number and/or email address) to the Company's Principal Place of Business for the attention of the Company Secretary.

The procedures for shareholders to propose a person for election as a Director are available on the website of the Company.

The Board may, in its sole discretion, consider if such proposals are appropriate and shall be put forward to the shareholders for approval at the next general meeting to be convened by the Board.

INVESTOR RELATIONS

During the year, there is no change in the Company's constitutional documents. The Company's Memorandum and Articles of Association are available on both the Company's and the Stock Exchange's websites.

RISK MANAGEMENT REPORT

INTRODUCTION

Risk is inherent in the Group's business and operations. To ensure successful achievement of the goals and objectives of the Group, risks must be identified and managed properly. The Group formulated risk management policy (the "RM Policy") to define a risk management framework with appropriate process and procedures to identify, assess and mitigate risks where possible and to continually monitor risks as other risks or threats emerge.

RISK MANAGEMENT FRAMEWORK

Under the risk management framework (the "RM Framework"), the Group should be able to identify levels of risk and uncertainty and then properly manage such risks in a structured way, so any potential threat to the Group can be appropriately managed to ensure the successful achievement of the Group's strategic objectives.

One of the challenges in the risk management process (the "RM Process") is to ensure that all major risks are clearly identified. To facilitate this process, the Group firstly classifies all the relevant risks by four major categories, i.e. strategic risks, financial risks, compliance risks and operational risks ("Major Risk Categories"). Within each category, the principal risks that could have material impact at the Group level are identified and regularly evaluated based on its potential impact and likelihood of occurrence.

The RM Process is made of three stages: risk assessment, risk mitigation and risk monitoring. Where required, the RM Process and the development of counter measures will involve consultation with the Board, the Audit Committee and other relevant stakeholders.

Major Risks Categories

Risk Management Process

ACCOUNTABILITY FOR RISK MANAGEMENT

Board of Directors

The ultimate responsibility for ensuring an appropriate RM Framework and RM Process in place rests with the Board of Directors (the "Board"). The RM Policy and updated status of the identified risks should be provided to the Board with clear statements of the risk management strategies and proposed actions to enable ongoing management regular review. The Board will also be provided with updated details, as required, when additional threats emerge or the likelihood or potential impact of a previously identified risk changes.

The Board will review the key risks on a half-yearly basis via updated information provided by the risk owners through the risk management team ("RMT") and then provide advice and direction to the RMT accordingly. After reviewed by the Board, the updated status of such key risks will be recorded in the Risk Management Report which is incorporated in the annual report of the Company.

The Audit Committee ("AC") supports the Board in monitoring the Group's exposures, operating effectiveness of the risk management and internal control systems. RMT will quarterly update AC the movements on key risks and appropriate mitigation measures and reviews with AC the Group's risk management control status on a half-yearly basis.

Risk Management Team

The Group established the RMT which is headed by the Group's Chief Financial Officer ("CFO"), the Group's Chief Executive Officer took up this role in February 2020 after the resignation of CFO, and comprised of all business owners and department heads as members and risk owners. The RMT is responsible for the implementation of the Group's RM Policy, risk identification, ongoing monitoring and management of identified risks and providing regular reporting of risks status to the Board. All members of RMT shall also be the risk owners and are responsible for:

(a) Identification, analysis and evaluation of risks and continual monitoring according to the risk management model established by the Group;
(b) Development and implementation of the RM Policy;
(c) Organization of regular review on risk management so that risks can be reviewed and new risks can be identified;
(d) Assessment of identified risks and developing strategies to manage those risks as they are identified;
(e) Ensure that key risks are closely monitored; and
(f) Providing regular update to AC and the Board noting key risks and specifying any changes to the risks identified and the mitigation actions adopted to manage them.

RISK ASSESSMENT

Identification

Risk identification involves determining which risks or threats are likely to affect the achievement of the Group strategic objectives. According to the RM Framework, the risk owners should identify all key risks under the Major Risk Categories.

The identification process should cover a simple two-step approach:

(a) consider what might be a trigger event or threat and several triggers may reveal the same inherent risk; then
(b) use a short and sharp statement to describe the nature of the risk and the impact on the Group.

Use the Risk Register to document the results and for regular updating of new identified risks.

Analysis and Evaluation

Once risks have been identified, they must be analyzed by determining how they might affect the Group. Once analyzed, risks should be evaluated to determine the likelihood of a risk or threat being realized and the seriousness, or impact, should the risk occur.

Likelihood: A qualitative measure of probability that the threat will emerge (generally ranked as Low (L), Medium (M) or High (H)).

Seriousness: A qualitative measure of negative impact to convey the overall loss of the Group if the threat emerges, based on the extent of the damage (generally ranked as Low (L), Medium (M), High (H) or Extreme).

Each identified risk will be graded as A, B, C, D or N according to the following matrix:

		Seriousness			
		Low	Medium	High	Extreme
Likelihood	Low	N	D	C	A
	Medium	D	C	B	A
	High	C	B	A	A

The ratings for likelihood and seriousness determine a current grading for each risk that in turn provides a measure of the risk exposure at the time of the evaluation.

Risk Mitigation

Mitigation of risks involves the identification of actions to reduce the likelihood that a threat will occur (preventative action) and/or reduce the impact of a threat that does occur (corrective action).

Risk mitigation action is to reduce the chance that a risk will be realized and/or reduce the impact of seriousness of a risk if it is realized or have been developed. The following table shows how risks will be treated in terms of preparation and/or deployment of mitigation strategies. Mitigation strategies are usually prepared and/or deployed for Grades A through to C. However, where an existing risk graded at D appears likely to be upgraded, mitigation strategies should be prepared.

Grade A	Mitigation actions, to reduce the likelihood and seriousness, to be identified and implemented as soon as the risk is identified as a priority.
Grade B	Mitigation actions, to reduce the likelihood and seriousness, to be identified and appropriate actions implemented during business operation.
Grade C	Mitigation actions, to reduce the likelihood and seriousness, to be identified and costed for possible action if funds permit.
Grade D	To be noted; no action is needed unless grading increases over time.
Grade N	To be noted; no action is needed unless grading increases over time.

Risk owners are assigned to formulate mitigation action plans and take appropriate actions to address the identified risks. If prevention strategies are being effective, some of the key risks should be able to be downgraded.

Risk Monitoring

Risk Management is an iterative process that should be built into the daily management processes. Under the RM Framework of the Group, it is closely linked with the yearly budget and mid-year forecast planning process.

As risk management is an ongoing process, the Risk Register is considered as a snap shot of relevant risks at one point in time.

- RMT reviews and updates the Risk Register about any change on the likelihood or impact of identified risks quarterly and send the updated Risk Register to AC for information;
- The AC reviews the Risk Register and the status of risk implementation actions half-yearly to ensure that appropriate actions are taken and any emerging risks are appropriately dealt with; and
- The Risk Register is maintained as part of the RM Policy.

MANAGEMENT OF KEY RISKS

The Group operates in a highly competitive industry. Continuous and effective risk management is of vital importance for achieving the Group's success and sustainable growth. Any identified risks graded at A and B are treated as key risks of the Group. Relevant risk owners are required to formulate and implement mitigation action plans and report to AC and the Board about the progress of the risk management. The following sections lists out the identified key risks of the Group during the year and control measures are being undertaken.

Strategic Risk

Competition from Online Travel Agencies ("OTA"), Budget Airlines and Booking Websites

Competition from OTA, budget airlines and booking websites caused great pressure to the Group's business. Their low pricing strategy attracted price sensitive customers and adversely affected our business performance. In addition, keen pricing competition narrowed down the profit margin.

To tackle this risk area, the Group continues to enhance the frontline service quality and focus on various trip planning and support services so as to distinguish our business image and model from OTA. We took initiatives to offer customers with value-added services, such as repeated and last minute change of itinerary. We allocated extra resources and manpower to strengthen our private tour and MICE team. With the set-up of this team, we aimed at providing customers with professional standard of travel services in the way that consumers are able to enjoy quality service. This team also provided support to the frontline sales in trip planning and management. It organized customized small group tours, study tours and MICE tours. It strengthened our FIT business by catering for the individual needs of customers with more flexible itinerary as well as enabled us to transform our FIT business to trip planning and management for small group tours with personalized services. Furthermore, we restructured our sales management team with a view to enhance operational efficiency. To motivate the frontline staff, we launched various incentive programs to boost sales. We are firmly committed to business diversification to offer a wide variety of travel products and services from the FIT business to corporate travel, cruise holidays and different themes of guided tours.

We actively cooperate with different tourism boards to promote special products which are exclusively provided for the sale at physical stores. In addition, we also put effort to further enhance the long established relationship with suppliers so as to enjoy special offer for large sales volume.

Financial Risk

Currency Exchange Risk

We purchased travel products from overseas suppliers in foreign currency while selling to customers in Hong Kong dollar. As the purchasing and selling process do not occur at the same time, significant change in foreign exchange rate may affect the business results. Transaction currency exposures with income and loss may occur when doing business with suppliers from different countries.

We established policy and well defined procedures to monitor the Group's foreign exchange exposure by closely monitoring the movement of foreign currency rates. Besides, we enhanced frontline booking system to facilitate and enhance the foreign currency exposure control process.

To minimize the currency exchange risk, we may enter into foreign currency forward contracts or purchase foreign currency at spot rate directly from the market when and where appropriate after taking account of the daily business sales.

Treasury Investment Risk

The Group's treasury investment activities are exposed to the risk of market fluctuation, which may cause significant loss in investments and thus negatively affect the Group's financial result.

We established a clear policy to govern all treasury investment activities. Under the policy, an investment cap is set for the maximum allowed investment amount so as to restrict the investment loss within the approved investment cap. The Board will review and revise the investment cap amount from time to time based on the latest market situation and investment result. Internal monitoring policy and reporting mechanism are strictly implemented to govern the investments activities.

Compliance Risk

The Group is committed to upholding laws and regulations that are relevant to its business and closely monitor the Group's policies relating to maintaining of business ethics. The operation of the Group's business is mainly subject to the jurisdictions of Laws of Hong Kong and relevant applicable rules and regulations, which including Companies Ordinances, Travel Agents Ordinance, Trade Descriptions Ordinance, Personal Data (Privacy) Ordinance, Code of Conduct, directives and guidelines of Travel Industry Council of Hong Kong, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and etc.

During the year, no significant areas of concern that may affect the compliance risk management of the Group have been identified.

Operational Risk

IT Security Issue and Loss of Data

The Group's website and systems are exposed to hackers' potential attacks which can cause significant impact to the Group's operations. In addition, it will adversely affect the Group's image, reputation and reliability.

To improve the IT security and prevent potential attacks, we adopted a new generation of firewall with IPS (Intrusion Prevention System) and WAF (Web Application Function). We regularly backup our data so as to minimize the impact of data loss when there is an attack. Nevertheless, in early March 2020, the Group's server was attached by a ransom ware "Ryuk". User personal devices connected to the Group's network were suspected of causing the incident. The incident impacted on the server and most of the computer devices. Besides, email accounts, website, internal applications and systems were affected. On the date of the incident, we immediately invited a security consultant on site to review the case and advise us on the procedures for server restoration. We also immediately upgraded the anti-virus software to prevent further attack. Although no data leakage, including customer data, was found, we reported the incident to the police. No ransom payment was made. We recovered and restored the affected systems and data gradually. The incident did not cause any significant business disruption or material loss to the Group. To prevent further attack, apart from upgrading anti-virus software, we also restricted the internet access of all users' personal devices, including guests and staff members, through a designated Wi-Fi password to avoid connection to the Group's internal internet. The Group will continue to put emphasis on the internet access management and allocate resources on the IT security improvement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Travel Expert (Asia) Enterprises Limited and its subsidiaries ("the Group") is committed to ethical corporate citizenship and to promoting sustainability in all of its activities. We demonstrate these commitments through transparent and responsible management of our environment and social values. The requirements listed below apply to the Group's operations. Every subsidiary, each manager and employee, as well as any contractor performing work on behalf of the Group must support this policy.

1. STAKEHOLDER ENGAGEMENT

The Group understands the importance of developing long-term relationships and constant dialogues with various stakeholders. We seek to balance the views and interests of these various parties through constructive conversation.

1.1 Shareholders/Investors

The Shareholders Communication Policy (the "Policy") of the Company helps to strengthen dialogue, and expand channels of communication with our shareholders. The Group regularly reviews this Policy to ensure its effectiveness and ensure effective and timely dissemination of relevant information to Shareholders at all times. Shareholders are also encouraged to raise any question to the Company Secretary regarding this Policy.

1.2 Customers

Customer feedback is invaluable as the Group operates in an extremely competitive market. There are a number of channels to solicit customer comments and recommendations. An increasing number of our customers are now getting the latest news and information of our products and services through our group's website i.e. www.tegroup.com.hk and individual business websites such as www.texpert.com, www.premiumholidays.com, as well as EDM (electronic direct mailing). In addition, a membership program "JETSO Plus" with the membership website www.jetsoplus.com.hk was launched in May 2017 to promote customer loyalty.

1.3 Employees

The Group is committed to providing staff training and development programmes designed to help our employees to enhance their knowledge and skills as well as self-enrichment. These employees who embody the virtue of team spirit are the backbone of our businesses.

1.4 Suppliers and Creditors

The Group is committed to upholding laws and regulations that are relevant to its business and closely monitor the Group's policies relating to maintaining of business ethics.

1.5 Government

The principal activities of the Group 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. These activities are mainly subject to the jurisdictions of Laws of Hong Kong. Along with different government laws, rules and regulations, each operating business makes tremendous effort to ensure that it is complied with the relevant laws and regulations.

2. ENVIRONMENTAL

2.1 Emissions

We have long recognized that a healthy environment is the foundation for economic progress and is essential to the well-being of society. Therefore, we are dedicated to maintaining our energy consumption and emission at low level in every single step. We strived to enhance operational efficiency and carried out measures to reduce the impact on the environment in order to protect the earth's resources.

The Group's businesses are mainly about provision of travel agency services and do not directly involve in production of related air, water, land pollutions and hazardous waste. Nonetheless, for the past several years, the Group has been rolling out various IT initiatives to help decrease unnecessary wastage and reduce carbon emission. We have actively implemented eco-friendly measures to reduce carbon footprint in our business operations. For instance, video/phone conference and e-training modules have been adopted to minimize the cost of transportation and paper usage in order to reduce carbon emission.

2.2 Use of Resources

The Group has taken a number of measures to minimize waste along with its business development by adopting different energy saving practices to encourage behavioral changes of our employees. We are pleased to see that such measures improved the effectiveness of use of resources.

2.2.1 Paper

- Using e-fax to minimize printing needs
- Using e-flyer to allow printing on demand basis
- Using e-learning and e-exam in training programmes to minimize the printing of training materials and exam paper since 2012 and 2015 respectively
- Reusing carton boxes for renovation projects and exhibitions to extend the lifecycle of the packing materials
- Reducing waste at the first place by using various eco-friendly solutions, e.g. using various IT systems to promote paperless working environment, such as e-leave application and name card application, online monthly salary record and tax return record
- Using recycled paper and envelopes and double-sided printing
- Encouraging customers to use e-tickets rather than paper form in view of the popularity of e-culture

2.2.2 Electricity

- Replacing traditional light bulbs with LED bulbs to save electricity consumption and reduce greenhouse gas ("GHG") emissions
- Encouraging staff members to turn off lights and air-conditioners when not needed, especially after office hours
- Using eco-friendly air conditioners, e.g. grade 1 of energy efficiency label to reduce carbon emission
- Regular maintenance is undertaken on appliances and air-conditioning system to ensure efficient operation and increase their longevity

2.2.3 Water

The Group's operations do not have any wet processes. Water is only used for human consumption and sanitation. Having said that, the Group is committed to conserving water. We posted notices at common areas of the office reminding staff members to reduce water consumption and the importance of water saving.

2.2.4 Computer

With a view to reduce electronic waste and extend the lifespan of computers, we donate retired computers and/or monitors to charitable organizations or work with a recycling company which will evaluate and, in some cases, reform and rebuild such old devices and donate them to people in need. During the year, we donated 13 computers, 1 notebook and 11 monitors to Caritas Computer Workshop, which donated them to the needy and low-income families.

2.2.5 Stationery and Furniture

Reusing stationery, furniture and equipment among offices and branches instead of buying new one or disposing of such materials. To extend the lifespan of office furniture and enhance resource efficiency, we carry out regular maintenance, such as replacing the seat foam of office chairs.

2.2.6 Waste

- Encouraging recycling through installation of plastic, paper and aluminum recycling boxes at the headquarters since 2011
- Reusing carton boxes for renovation projects and travel exhibitions to extend the lifecycle of the packing materials

2.2.7 Overview of Resources Consumption

During the year, with the support of pursuing green practices of the entire Group, we achieved a decrease of 3.3%, 4.8% and 29.6% in consumption of water, electricity and paper respectively. Below is an overview of resources consumption:

Resources	Unit	2019/20	2018/19	Variance
Water	m^3	**428.6**	443.1	↓ 3.3%
Electricity	kWhs	**165,352**	173,620	↓ 4.8%
Paper	tons	**8.8**	12.5	↓ 29.6%

With the Group's efforts on energy saving, during the year, there was a continuous downward trend in the overall resources consumption. We will continue to explore opportunities and innovative ways to minimize resources consumption and the impacts to the environment and nature resources.

2.3 The Environmental and Natural Resources

The Group believes that business development should not come at the expense of the environment. Therefore, we adopted environmental friendly practices in various aspects and company events. For example, we use energy saving lighting such as LED bulbs for new replacement if possible; use air conditioning and light zoning arrangements in the office to reduce unnecessary energy wastage; choose shark-free menu for Annual Dinner and Spring Dinner; installed three waste separation bins in the headquarters.

Furthermore, waste paper was sent to shredding company for paper recycling as a way to preserve forests regularly. During the year, the shredded paper was recycled and that reduced 5,904 kilograms GHG or planting 151.1 trees seedling growth for 10 years.

3. SOCIAL

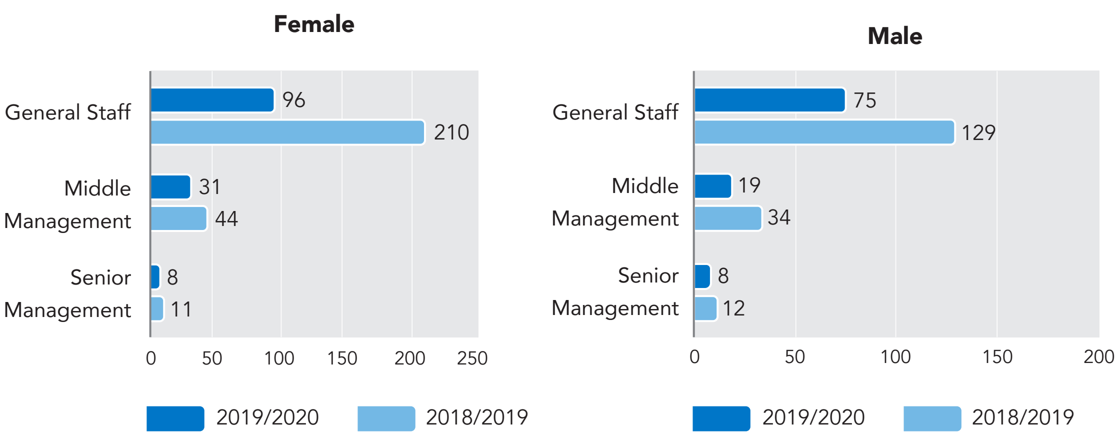
3.1 Employment

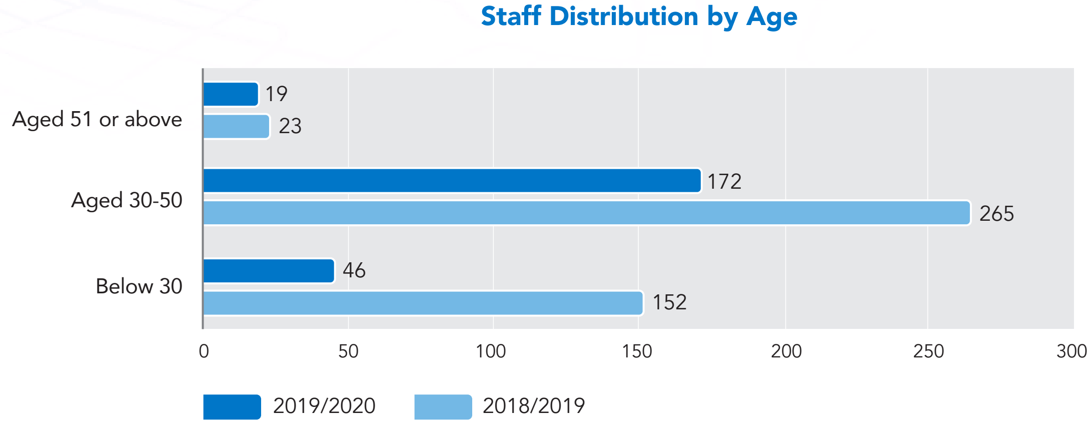
The Group adopts fair and open recruitment mechanism with all positions being openly recruited regardless of age, gender, race, nationality, religion, marital status or disability. Apart from internal transfers, all vacancies are published to public via different recruiting channels such as online recruitment channels, recruitment fairs and recruitment day.

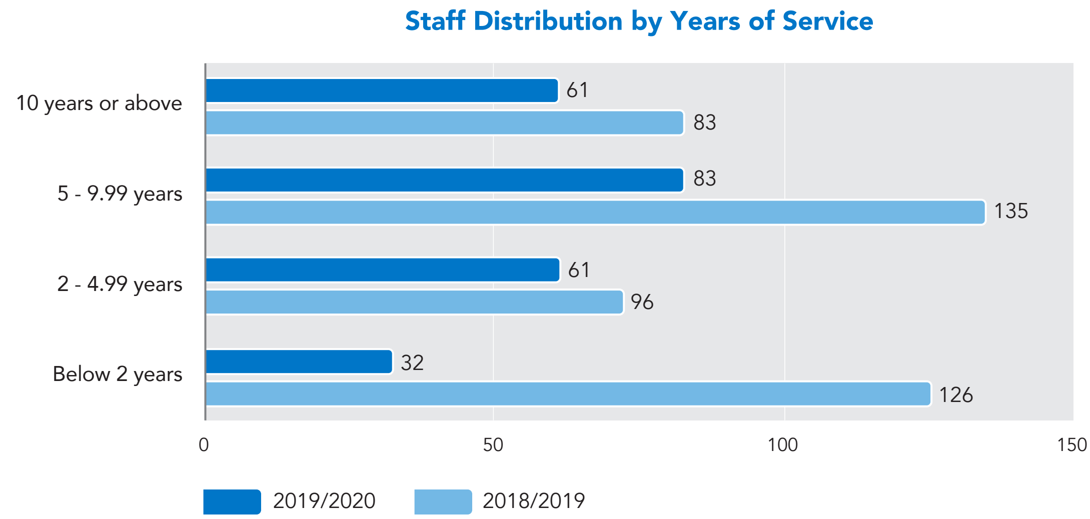
A formal induction together with a tour of the workplace is provided to all new employees. This aims to welcome the new employees and give them a better understanding of the Group. A brief of employee handbook is to ensure new employees are aware of relevant policies and code of conduct. Employee handbook together with various guidelines and benefits are uploaded on the Group's intranet for the access by all staff members.

As at 31 March 2020, the Group had a total of 237 (as at 31 March 2019: 440) full time employees. Breakdowns of the employees by position and gender, age and years of service are set forth below respectively:

Staff Distribution by Position and Gender







Like other retail companies in Hong Kong, we are experiencing high turnover rate in general frontline positions and young workforce in the past few years. As part of a restructuring process planned long before the COVID-19 outbreak, we aimed at enhancing branch efficiency and cost control by gradually reducing the workforce size. However, COVID-19 has seriously impacted travel industry and we have substantially reduced the workforce size, resulting in an overall decrease of 46.1% in the number of employees.

The Group supports diversity and provides all our employees with equal opportunities. We recruit new talents based on abilities and qualifications regardless of race, religion, gender or age. As at 31 March 2020, the Group's male to female employee maintained at nearly 4:6. The Group had also recruited from a diverse age group. About 19.4%, 72.6% and 8.0% of our workforce were fell in the respective age groups of below 30, 30-50 and 51 or above.

3.2 Health and Safety

The Group strives to promote safety awareness, improve occupational environment and reduce occupational risks. We continuously promote safety awareness among employees and committed to providing a healthy and safe working environment for our employees. The Group has dedicated adequate resources and effort to uphold and improve the Group's safety management measures in order to reduce the risks relating to labour safety, such as:

3.2.1 Guideline

- Adopting written guidelines on delivery of documents and goods, and work safety matters for employees
- Ensuring a healthy and safe workplace and compliance with all relevant workplace health and safety laws; providing Guideline of Handling Operation & Prevention of basic injuries to office assistants and employees who are required to work in field duty stations so as to equip them with proper manual handling practices and reduce the work injury to the lowest level
- Formulating clear guidelines for prevention of musculoskeletal disorders and releasing work pressure; uploading relevant video and leaflet on intranet for the access for all staff

3.2.2 Insurance

Maintaining various insurance policies for employees' compensation and liability.

3.2.3 Certified First Aiders

Assigning certified first aiders in the headquarters; providing first aid boxes in all workplaces and regularly checking and refilling items in first aid boxes.

3.2.4 Wellness Activities

Arranging wellness activities for employees, such as hiking with Chairman and cruise ship day tour, to promote their awareness of work-life balance.

3.2.5 Work Related Injury

In this reporting year, the number of work related injury cases decreased from four to zero via consistently promoting work safety awareness and encouraging our staff to report potential hazards in the working environment.

	2019/20	2018/19	Variance
No. of Work Injury Case	**0**	4	↓ 100%
No. of Lost Days	**0**	1	↓ 100%

During the year, there was no material breach or non-compliance with the applicable laws and regulations that have a significant impact on the Group relating to health and safety.

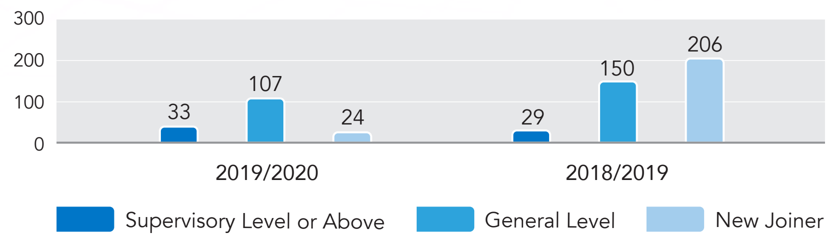
3.3 Development and Training

The Group believes that investing in employees is essential to the future strength and success of its business.

The Group has established an in-house training department with a team of experienced trainers as coaching staff. Our Customer Service, Training and Sales Administration Department is responsible for developing our own training programmes. These trainings are delivered in different forms including internal and external class room training courses, on-the-job training, e-learning modules and workshops. All these trainings are designed to enhance and broaden employees' skill sets. We have an intensive and standardized in-house training programme to train new joiners of frontline to enable them to gain the core techniques before serving the customers. Tailor-made programmes are held regularly to help employees meet the ever changing needs of the marketplace. Besides, the Group has study sponsorship policy to encourage employees in continuing and life-long learning.

In addition, the Group provides continuous professional development training to its directors and senior management to develop and refresh their knowledge and skills. These include workshops on leadership development, management skills, corporate governance practices as well as updates on regulatory developments and requirements.

Below is a summary of the total training hours delivered during the year:



During the year, due to the drop of the number of frontline manpower as a result of streamlining branch network and restructuring of the management team, the overall training hours provided by the Group decreased accordingly.

We understand that the stability, dedication and professionalism of our employees provide the foundation from which we are able to develop and growth. Therefore, we present long service awards to the staff members who have dedicated 5, 10, 15, 20, 25 and 30 years' service to the Group at each year to appreciate their loyalty and unfailing contributions. As at 31 March 2020, a total of 56 loyal staff members were qualified to receive the honour.

We believe that motivation is a key method to improve staff's performance and satisfaction. We have continued to reinforce our measures to recognize high performers both as individuals and as a team, such measures including presenting awards to branches and incentive tours arranged for outstanding performance staff to motivate and recognize the staff that delivered performance beyond what is expected of them.

The Group encourages communication and interaction of the staff members with the management. We provide a wide spectrum of informal communication platforms regularly, such as branch visit by management team, experience sharing between middle and senior management and etc. Through these moves, management is alerted to the issues raised by staff members and can carry out responsive measures to improve operations if appropriate. Besides, this enhances the sense of belonging of staff members.

Furthermore, following events can facilitate a good communication and social platform between the management and staff members:

Annual Dinner

Annual dinner is one of the most prestigious event of the year, attended by all staff in the Group. Lots of lucky draws and games make the evening full of energy and excitement. During the dinner, we convey the Group's vision and strategy to our staff members. At the same time, the Group acknowledges the staff members from different positions with good performance and the loyalty staff for long service award. Unfortunately, the annual dinner of the year has been postponed due COVID-19 outbreak.

We believe that happy staff makes happy customers and endeavor to provide happy working environment. We promote the relationship between staff to make them like family members. To promote work life balance, we organized following wellness activities during the year:

2019 April – Cruise Ship Day Tour

Provided an opportunity to our staff to visit the Royal Caribbean Cruise and fostered the understanding of the cruise facilities.

2019 April & May – Hiking with the Chairman

4 hiking sessions with the Chairman, Mr. Ko Wai Ming, Daniel, were arranged in spring 2019 with participation of 18 colleagues, which provided an informal channel for two-way communication and promoted the work-life balance.

2019 June & August – Retirement Parties

Retirement parties for senior management to extend the Group's heartfelt gratitude to them for years of exemplary service and contributions to the Group.

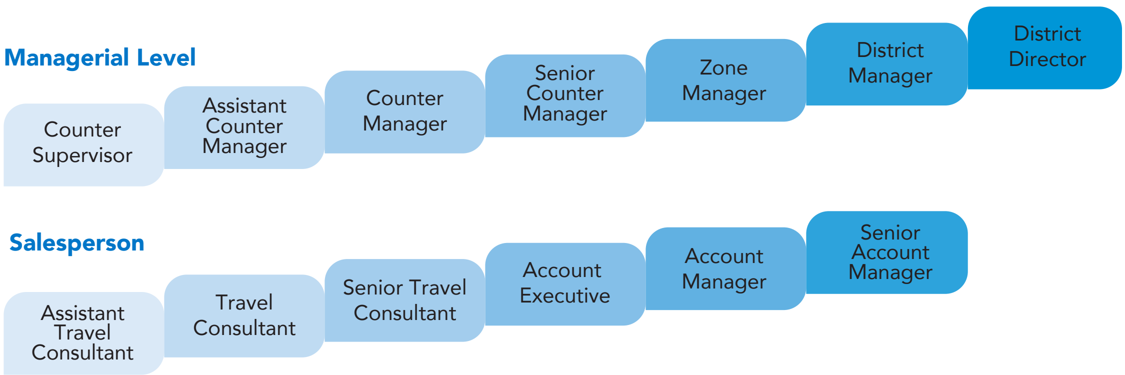
2019 July – Breakfast Meetings

Breakfast Meetings provided a chance for salesperson to share the prospect insights and foster two-way communication between general staff and management.

2019 December – Christmas Lunch Party

It gave a cordial hospitality for over a hundred staff.

Talents with expertise and job related knowledge are our assets. To encourage career advancement of staff, the Group provides a clear career path to frontline employees:



Along with a competitive salary package, we offer discretionary bonus, different incentives and performance management system to recognize performance. All these measures aim at establishing a fair and reasonable mechanism for managing remuneration and providing performance incentives to boost employee loyalty and cohesiveness.

3.4 Labour Standards

The Group believes in nurturing and developing top talents regardless of race, gender, age, religious belief, pregnancy, marital status, family status or disability. The Group has policies to ensure all employees and job applicants enjoy equal opportunities and fair treatment, such as Equal Opportunities Policy & Guideline, Whistle-blowing Policy, Gifts and Entertainment Policy.

All employees have the right to complain in case of discrimination, suspected misconduct and illegal acts via established procedures. We will investigate each complaint thoroughly, resolving it fairly and in the strictest confidence. Gifts and Entertainment Policy has been uploaded on the intranet that provides guidelines for business related gifts and entertainment given or received by the staff members.

3.5 Supply Chain Management

The Group has established policies in selecting suppliers, which including interviews and conducting company background check to understand the potential suppliers' products and operations. Before engaging any supplier, we make search on the supplier's company to ensure that it has properly registered with relevant authorities and obtained permits or licences accordingly to applicable laws and regulations.

3.6 Product Responsibility

The Group is committed to providing quality services and products to achieve customer satisfaction. To enhance customer experience, we have a team of experienced customer service to improve serving skills to frontline staff by providing regular technical training. We have formulated Complaint Management Policy which sets out the procedures for handling complaints. We also regularly review complaint cases so as to improve our services and to avoid occurrence of similar case in the future.

To enable us to provide customers with the best travel experience, understanding their needs is of vital importance. We set up various channels for customers to express their comments and recommendations, such as, hotline, branches, service feedback email and where appropriate, social networking tools.

Our business is customer-oriented. We provided Trade Description Ordinance guideline to our travel consultants to protect customers by prohibiting false trade descriptions, false, misleading or incomplete information and misstatements in respect of goods provided in the course of trade.

Most of travel consultants have obtained Travel Insurance Agents License so that they can provide professional information about the travel insurance to customers.

3.7 Anti-corruption

The Group takes its anti-corruption responsibilities very seriously. In addition to the ongoing review of the effectiveness of the internal control systems, the Group has established a whistleblowing policy to direct employees to report to the members of the Audit Committee about possible improprieties in any matter related to the Group. The Group also established gifts policy and guidelines about anti-corruption.

We value integrity and carried out various measures to uphold our principle of honesty which including:

Corruption Prevention Leaflet

- Distributing corruption prevention leaflet to all new joiners to enhance their alertness of the anti-corruption
- Providing staff with industry or customer feedback policy and distributing the leaflet "Tips for Corruption Prevention in Travel Industry" published by Independent Commission Against Corruption (ICAC) to every new recruit of travel consultant in attempt to raise their awareness and alertness against corruption

Internal Complaint Channels

- Escalating internal complaints about operational problems to department heads or Human Resources Department
- Sending an e-mail directly to the Audit Committee (ac@tegroup.com.hk) in order to report the misconduct which involving illegal practices, fraudulent over the shareholders or suspicious accounting practices of internal accounting supervisions and auditing if such employees, for any reason, considering their situation is inappropriate to report the improper behavior in the Group to their department heads, chief executive or chairman

3.8 Community Investment

The Group encourages our employees to play an active role in the communities where they live and work. The Group has been honored as "Caring Company" since 2012 by the Hong Kong Council of Social Service, in recognition of our achievements in corporate social responsibility and commitment to create a caring community.

The Group encourages and promotes volunteerism and encourages our employees to serve their communities in numerous ways. Some of the community engagements are highlighted below:

Hiking Fund Raising

We have joined the hiking fund raising activity held by "Smile Foundation" since 2012, which aim at improving the schooling in the remote areas in mainland China. During the year, the event has been postponed due to the outbreak of COVID-19.

Work Experience Program

- We consider providing practical work experience a vital step to support talent development. During the year, we offered summer internship for five students from different universities and colleges to work for us in different departments, which served as a platform for them to gain meaningful work experience in a field of interest and gain awareness of employers' expectation.
- During the year, we are invited to join the "Youth Work Experience Programme 2019" organized by Child Development Initiative Alliance (CDIA). The program provided a platform for secondary school students to gain general understanding about different industries and first-hand exposure of real business environment. In August 2019, two Form Five students worked for 5 days to experience the real working environment with a view to encourage them to explore their own strengths and career interests.

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 27 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2020 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 40 to 99.

No interim dividend (six months ended 30 September 2018: nil) was paid to shareholders during the year.

The Board has resolved not to recommend a final dividend for the year ended 31 March 2020 (2019: HK2.0 cents).

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 100.

BUSINESS REVIEW

A review of the Group's business and operations for the year as well as a discussion on the likely future developments are provided throughout this annual report, particularly in the sections of "Chairman's Statement" and "Management Discussion and Analysis".

Further discussions on the Group's environmental policies and performance and key relationships with its stakeholders are provided throughout the section "Environmental, Social and Governance Report" section in this annual report.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from 11 August 2020 to 14 August 2020, both days inclusive, for the purpose of determining the shareholders' entitlement to attend and vote at the AGM scheduled to be held on 14 August 2020. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 10 August 2020.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 12 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in and particulars of the investment properties of the Group during the year are set out in note 13 to the consolidated financial statements.

BANK BORROWINGS

Details of the bank borrowings of the Group at 31 March 2020 are set out in note 26 to the consolidated financial statements.

CHARITABLE DONATION

The Group made charitable donation during the year totaling HK$20,000 (2019: HK$20,000).

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company unless otherwise required by The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2020, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (as amended) of the Cayman Islands, amounted to HK$62.7 million. The amount of HK$62.7 million includes the Company's share premium account of HK$55.6 million in aggregate at 31 March 2020.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of turnover or sales attributable to the Group's five largest customers combined was less than 20%. The percentage of purchases attributable to the Group's five largest suppliers combined and the largest supplier were 42.9% and 14.6% respectively.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors	Mr. Ko Wai Ming, Daniel *(Chairman)* Ms. Cheng Hang Fan *(Chief Executive Officer)* Mr. Kam Tze Ming, Alfred *(Chief Operating Officer)* (resigned on 15 June 2019) Mr. Chan Wan Fung *(Chief Financial Officer)* (resigned on 1 February 2020)
Independent Non-executive Directors ("INEDs")	Mr. Mak King Sau Mr. Szeto Chi Man Mr. Yung Ha Kuk, Victor

Mr. Kam Tze Ming, Alfred resigned as Chief Operating Officer and Executive Director of the Company due to retirement with effect form 15 June 2019.

Mr. Chan Wan Fung resigned as Chief Financial Officer and Executive Director of the Company due to personal reasons and other commitments with effect from 1 February 2020.

Pursuant to Articles 84(1) and 84(2), Mr. Ko Wai Ming, Daniel and Mr. Yung Ha Kuk, Victor will retire by rotation at the AGM and, being eligible, will offer themselves for re-election.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its INEDs an annual confirmation of their independence from the Group. The Board and the Nomination Committee consider that all INEDs to be independent from the Group.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Company are set out on page 10 of this annual report.

DIRECTORS' SERVICE CONTRACTS

All the Executive Directors have entered into service contracts with the Company for a term of three years and continuing thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of the INEDs has signed a letter of appointment and is appointed for an initial term of two years commencing on the date of listing of the Company's shares on the Stock Exchange. On 31 March 2016, all the INEDs have signed a letter to confirm that their respective terms of appointment commenced on the date of the AGM at which he was re-elected and for a term of two years and shall be automatically renewed unless terminated by either the Company or the INEDs by giving at least one month's notice in writing to the other.

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors are subject to retirement by rotation at least once every three years as required by the Articles of Association.

DIRECTORS' REMUNERATION

Directors' remunerations are determined subject to the recommendations of the Remuneration Committee and the Board's approval with reference to Directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the transactions disclosed in note 36 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party subsisted at the end of the year or during the year ended 31 March 2020.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 March 2020, the interests and short position of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Long Position in Ordinary Shares of the Company

	Number of shares of HK$0.01 each (the "Shares") in the Company				
Name of Director	**Personal interests**	**Family interests**	**Corporate interests**	**Total interests**	**Approximate percentage of shareholding of the issued share capital**
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%

Notes:

(a) Mr. Ko and Mrs. Ko are spouses. Pursuant to Part XV of the SFO, Mr. Ko is deemed to be interested in the shares of the Company owned by Mrs. Ko and Mrs. Ko is deemed to be interested in the shares of the Company owned by Mr. Ko.

(b) These shares of the Company are owned by Colvin & Horne Holdings Limited ("CHHL"), which is owned as to 60% and 40% by Mr. Ko and Mrs. Ko respectively.

(b) Long Position in Shares and Underlying Shares of Associated Corporation

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

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

Save as disclosed above, as at 31 March 2020, none of the Directors and chief executive of the Company had any interests and short position 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.

The maximum number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the Shares in issue on the date of listing of the Company's shares on the Stock Exchange, i.e., 50,000,000 shares. The Company may seek approval from shareholders to refresh such limit. Moreover, the maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other option schemes of the Company must not exceed 30% of the Shares in issue from time to time. The maximum entitlement of each eligible person in any 12-month period shall not exceed 1% of the Shares in issue from time to time. Any further grant of options in excess of such limit must be separately approved by shareholders with such eligible person and his associates abstaining from voting.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine but in any event shall not exceed 10 years from the date of grant. Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no minimum holding period before an option is exercisable. The amount payable on acceptance of a share option is HK$1.0.

The exercise price of the share option under the Share Option Scheme shall be determined by the Board provided always that it shall be at least the higher of (a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer for the grant of options (which is deemed to be the date of grant if the offer for the grant of the option is accepted by the Eligible Person), which must be a trading day; and (b) the average closing prices of the Shares as stated in the daily quotations sheet issued by the Stock Exchange for the five business days immediately preceding the date of grant, provided that the exercise price shall in no event be less than the nominal amount of a Share.

A summary of terms of the Share Option Scheme has been disclosed in the Prospectus dated 16 September 2011 issued by the Company ("Prospectus").

During the year ended 31 March 2020, there was no outstanding option and no option under the Share Option Scheme was granted.

At no time during the year 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' AND OTHER PERSONS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 31 March 2020, shareholders (not being Directors or chief executive of the Company) who had interests or short position 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 Beneficial owner	 Family interest	Total number of shares held	Approximate percentage of the issued share capital
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 31 March 2020, 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.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group entered into certain related party transactions, details of which are set out in note 36 to the consolidated financial statements. For those related party transactions constituted continuing connected transactions to the Company under Chapter 14A of the Listing Rules, such transactions are fully exempted from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.76 of the Listing Rules.

INVESTMENT ACTIVITIES

For the year ended 31 March 2020, 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 (whichever is lower) approved by the Board remained unchanged during the year ended 31 March 2020.

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

Investment by Categories	31 March 2020 HK$'000	31 March 2019 HK$'000
Equity securities listed in Hong Kong	–	5,841
Hang Seng Index	–	(60)
Bonds	–	7,809
Total Value	–	13,590

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 the Executive Directors and the INEDs have been reviewed and revised effective on 1 April 2020.

Mr. Mak King Sau has been the vice president of Titan Financial Services Limited, which is licensed to carry out Type 1 (dealing with securities) and Type 6 (advising on corporate finance) regulated activities under the SFO since January 2020.

The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors' Biographies". Details of the Directors' emoluments are set out in note 11 to the consolidated financial statements.

DEED OF NON-COMPETITION

Each of the controlling shareholders has confirmed to the Company of his/its compliance with the non-competition undertakings provided to the Company under the Deed of Non-competition (as defined in the Prospectus). The INEDs have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-competition have been complied with by the controlling shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, at least 25% of the Company's total issued share capital was held by public as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 37 to the financial statements.

AUDITOR

The consolidated financial statements of the Group for the years ended 31 March 2019 and 2020 were audited by BDO Limited. A resolution will be proposed at the AGM to re-appoint BDO Limited as the auditor of the Company.

On behalf of the Board
Ko Wai Ming, Daniel
Chairman and Executive Director

Hong Kong, 29 June 2020

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TO THE SHAREHOLDERS OF TRAVEL EXPERT (ASIA) ENTERPRISES LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Travel Expert (Asia) Enterprises Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 40 to 99, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the consolidated financial statements, which indicates that the Group recorded a loss for the year of approximately HK$45,061,000 and operating cash outflows of approximately HK$63,266,000 during the year ended 31 March 2020, and the Group had net current liabilities of approximately HK$1,043,000 as at 31 March 2020. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue recognition

Refer to notes 2.10, 4(v) and 5 to the consolidated financial statements

During the year, the Group recorded revenue derived from provision of services relating to sales of air-tickets, hotel accommodation and other travel/wedding related products and sales of package tours of approximately HK$285,645,000.

The Group's revenue from provision of services relating to sales of air tickets, hotel accommodation and other travel/wedding related products is recognised at a point in time on net basis when the services are rendered by the Group as an agent. The Group's revenue from sales of package tours is recognised over time on gross basis when the transactions are conducted by the Group as a principal.

We have identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and there is an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation. Moreover, the determination of the Group acting as a principal or an agent in each category of transactions requires a significant degree of management judgement on its business relationships with customers.

Our responses:

Our procedures in relation to this key audit matter included:

- Performing review of overall information technology general controls and application controls;
- Performing test of controls and substantive testing on revenue cycle;
- Conducting analytical procedures on revenue; and
- Reviewing the appropriateness of the management's assessment concerning the determination of the Group acting as a principal or an agent in each category of transactions.

Impairment of property, plant and equipment

Refer to notes 2.9, 4(iv), and 12 to the consolidated financial statements

The Group had recorded impairment loss of HK$21,772,000 in respect of its property, plant and equipment for the year.

Certain of the Group's subsidiaries were loss making during the year and the operations of the Group's subsidiaries were also adversely affected by the outbreak of Coronavirus Disease 2019 ("COVID-19") pandemic. Management carried out impairment assessments for assets and cash-generating units which have impairment indicators in accordance with HKAS 36. The recoverable amounts of the assets and cash-generating units were determined by value in use calculations using discounted cash flow projections based on sales forecast prepared by management with major assumptions such as gross profit, the length of time which the impact of COVID-19 may continue and the speed of recovery. We focused on this area because significant estimations and judgements were involved in determining the recoverable amounts of the relevant assets and cash-generating units subject to impairment assessments.

Our responses:

Our procedures in relation to this key audit matter included:

- Comparing the forecasted sales performance and estimated operation costs of the subsidiaries used in the value in use calculations to their historical records;
- Enquiring management for the key assumptions in value in use calculations and evaluated the key assumptions (such as gross profit, the length of time which the impact of COVID-19 may continue and the speed of recovery) applied by comparing them to our understanding of latest market information and conditions and historical information, where applicable;
- Recomputing the impairment loss calculations; and
- Evaluating the sensitivity analysis to ascertain the extent of change in the key assumptions that would result in the assets and cash-generating units being impaired and also considered the likelihood of such a change in the key assumptions arising.

Valuation of investment properties

Refer to notes 2.8, 4(vi) and 13 to the consolidated financial statements

Management has estimated the fair value loss of the Group's investment properties to be HK$3,923,000 for the year ended 31 March 2020 recorded in the consolidated statement of comprehensive income. As at 31 March 2020, the Group has investment properties measured at fair value of HK$84,900,000 recorded in the consolidated statement of financial position.

The fair value of the investment properties was arrived at on the basis of the valuation carried out by an independent qualified professional valuer. The valuation is dependent on certain key assumptions that require significant judgement including market monthly rental rates and reversionary yields.

Our responses:

Our procedures in relation to this key audit matter included:

- Evaluation of the independent external valuer's competence, capabilities and objectivity;
- Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry; and
- Checking the accuracy and relevance of the input data used.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Wong Kwok Wai
Practising Certificate Number P06047

Hong Kong, 29 June 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	*5*	**287,164**	304,131
Cost of sales		**(122,851)**	(91,502)
Gross profit		**164,313**	212,629
Other income and gains	*5*	**13,917**	14,883
Changes in fair value of investment properties	*13*	**(3,923)**	5,984
Selling and distribution costs		**(132,661)**	(170,658)
Administrative expenses		**(83,031)**	(75,292)
Share of losses of associates		**(1,521)**	(254)
Loss on disposal of financial assets/liabilities at fair value through profit or loss		**(293)**	(965)
Fair value loss on financial assets/liabilities at fair value through profit or loss		**–**	(18)
Loss from operations	*6*	**(43,199)**	(13,691)
Finance costs	*7*	**(1,673)**	(172)
Loss before income tax		**(44,872)**	(13,863)
Income tax (expense)/credit	*8*	**(189)**	219
Loss for the year		**(45,061)**	(13,644)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiary		**(309)**	(164)
Item that will not be reclassified subsequently to profit or loss:			
Fair value adjustment upon transfer of property, plant and equipment to investment properties	*13*	**–**	34,727
Other comprehensive income for the year		**(309)**	34,563
Total comprehensive income for the year		**(45,370)**	20,919
(Loss)/profit for the year attributable to:			
Owners of the Company		**(45,311)**	(11,402)
Non-controlling interests		**250**	(2,242)
		(45,061)	(13,644)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(45,620)**	23,161
Non-controlling interests		**250**	(2,242)
		(45,370)	20,919
Loss per share attributable to owners of the Company	*10*		
– Basic		**HK(8.9) cents**	HK(2.2) cents
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	**20,718**	23,042
Investment properties	13	**84,900**	88,800
Interests in associates	15	**8,369**	10,496
Deposits	18	**3,389**	7,598
		117,376	129,936
Current assets			
Inventories	16	**3,462**	3,716
Trade receivables	17	**2,199**	5,711
Prepayments, deposits and other receivables	18	**29,022**	30,046
Lease receivables	32	**881**	–
Amount due from an associate	25	**135**	5,690
Financial assets at fair value through profit or loss	19	**–**	13,650
Prepaid tax		**102**	501
Pledged deposits	21	**1,630**	22,589
Time deposits over three months	20	**–**	30,000
Cash and cash equivalents	20	**44,124**	92,177
		81,555	204,080
Current liabilities			
Trade payables	22	**18,587**	89,114
Accrued charges, deposits received and other payables	23	**27,910**	32,155
Contract liabilities	24	**13,661**	33,809
Financial liabilities at fair value through profit or loss	19	**–**	60
Amounts due to associates	25	**219**	8,338
Bank borrowings	26	**2,926**	3,412
Lease liabilities	32	**18,782**	–
Provision for tax		**513**	474
		82,598	167,362
Net current (liabilities)/assets		**(1,043)**	36,718
Total assets less current liabilities		**116,333**	166,654
Non-current liabilities			
Deferred tax liabilities	8	**51**	56
Lease liabilities	32	**5,251**	–
		5,302	56
Net assets		**111,031**	166,598
EQUITY			
Equity attributable to owners of the Company			
Share capital	28	**5,099**	5,099
Reserves	29	**105,752**	162,635
		110,851	167,734
Non-controlling interests		**180**	(1,136)
Total equity		**111,031**	166,598

Ko Wai Ming, Daniel
Director

Cheng Hang Fan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000 *(note 29(a))*	Share redemption reserve HK$'000	Merger reserve HK$'000 *(note 29(a))*	Foreign exchange reserve HK $'000	Asset revaluation reserve HK $'000 *(note 29(a))*	Other reserve HK $'000 *(note 29(a))*	Proposed final dividend HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'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 year	–	–	–	–	–	–	–	–	(11,402)	(11,402)	(2,242)	(13,644)
Other comprehensive income for the year	–	–	–	–	(164)	34,727	–	–	–	34,563	–	34,563
Total comprehensive income for the year	–	–	–	–	(164)	34,727	–	–	(11,402)	23,161	(2,242)	20,919
Final dividend paid *(note 9)*	–	–	–	–	–	–	–	(10,272)	30*	(10,242)	–	(10,242)
Final dividend proposed *(note 9)*	–	–	–	–	–	–	–	10,197	(10,197)	–	–	–
Repurchase of the Company's own shares	(37)	(2,150)	37	–	–	–	–	–	–	(2,150)	–	(2,150)
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	(1,931)	(1,931)
Purchase of non-controlling interest of a subsidiary without change in control	–	–	–	–	–	–	(6,284)	–	–	(6,284)	5,733	(551)
At 31 March 2019	5,099	55,629	37	(9,000)	(274)	34,727	(4,980)	10,197	76,299	167,734	(1,136)	166,598
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 year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(45,311)**	**(45,311)**	**250**	**(45,061)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**(309)**	**–**	**–**	**–**	**–**	**(309)**	**–**	**(309)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(309)**	**–**	**–**	**–**	**(45,311)**	**(45,620)**	**250**	**(45,370)**
Final dividend paid *(note 9)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(10,197)**	**–**	**(10,197)**	**–**	**(10,197)**
Purchase of non-controlling interest of a subsidiary without change in control	**–**	**–**	**–**	**–**	**–**	**–**	**(1,066)**	**–**	**–**	**(1,066)**	**1,066**	**–**
At 31 March 2020	**5,099**	**55,629**	**37**	**(9,000)**	**(583)**	**34,727**	**(6,046)**	**–**	**30,988**	**110,851**	**180**	**111,031**

* Due to the repurchase of the Company's own shares during the year ended 31 March 2019, 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	**2020 HK$'000**	2019 HK$'000
Cash flows from operating activities			
Loss before income tax		**(44,872)**	(13,863)
Adjustments for:			
Interest income	*5*	**(1,764)**	(1,761)
Financial income on the net investment in a sub-lease agreement	*5*	**(68)**	–
Changes in fair value of investment properties	*13*	**3,923**	(5,984)
Share of losses of associates		**1,521**	254
Depreciation of property, plant and equipment	*6*	**29,097**	5,758
Loss on disposal of property, plant and equipment	*6*	**369**	93
Impairment loss on property, plant and equipment	*6*	**21,772**	331
Impairment loss on goodwill	*6*	**–**	445
Impairment loss on interest in an associate	*6*	**874**	–
Interest expenses	*7*	**1,673**	172
Loss on disposal of financial assets/liabilities at fair value through profit or loss		**293**	965
Fair value loss on financial assets/liabilities at fair value through profit or loss		**–**	18
Gain on deregistration of a subsidiary		**–**	(214)
Operating profit/(loss) before working capital changes		**12,818**	(13,786)
Decrease/(increase) in inventories		**254**	(1,991)
Decrease in trade receivables		**3,512**	1,628
Decrease in prepayments, deposits and other receivables		**4,049**	24,115
Decrease in trade payables		**(70,527)**	(23,642)
(Decrease)/increase in accrued charges, deposits received and other payables		**(4,253)**	1,116
(Decrease)/increase in contract liabilities		**(20,148)**	6,379
Net proceeds of disposal of financial assets/liabilities at fair value through profit or loss		**120,777**	314,903
Purchases of financial assets/liabilities at fair value through profit or loss		**(107,606)**	(317,335)
Decrease in amounts due to associates		**(2,386)**	–
Cash used in operations		**(63,510)**	(8,613)
Income tax paid		**(548)**	(248)
Income tax refund		**792**	2,117
Net cash used in operating activities		**(63,266)**	(6,744)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(1,852)**	(1,999)
Purchases of investment properties		**(23)**	(2,216)
Proceeds from disposal of an investment property		**–**	56,000
Proceeds from disposal of property, plant and equipment		**38**	–
Expenditure incurred for right-of-use assets		**(26)**	–
Receipt from lease receivable		**1,339**	–
Purchases of non-controlling interest of a subsidiary		**–**	(551)
Net change in balances with associates		**221**	2,018
Dividend income		**126**	119
Decrease/(increase) in pledged deposits		**20,959**	(21,242)
Decrease in time deposits with an original maturity of more than three months		**30,000**	15,545
Interest received		**1,764**	1,761
Net cash generated from investing activities		**52,546**	49,435

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from financing activities	31		
Dividends paid	9	**(10,197)**	(10,242)
Settlement of lease liabilities		**(24,739)**	–
Repayments of bank borrowings		**(486)**	(18,293)
Repurchase of the Company's own shares		**–**	(2,150)
Interest paid		**(1,673)**	(172)
Net cash used in financing activities		**(37,095)**	(30,857)
Net (decrease)/increase in cash and cash equivalents		**(47,815)**	11,834
Cash and cash equivalents at beginning of year		**92,177**	80,467
Effect of foreign exchange rate changes		**(238)**	(124)
Cash and cash equivalents at end of year	20	**44,124**	92,177
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents with an original maturity of three months or less:			
Cash deposits in banks and financial institutions		**23,273**	51,843
Short-term deposits in banks		**20,851**	40,334
	20	**44,124**	92,177

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, PO 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 "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 27 to the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and going concern assumption

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

The significant accounting policies that have been used in the preparation of the consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and revised HKFRSs and the impacts on the consolidated financial statements, if any, are disclosed in note 3.

The consolidated financial statements have been prepared under the historical cost basis except for financial assets and financial liabilities at fair value through profit or loss and investment properties which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

The Group recorded a loss for the year of approximately HK$45,061,000 and operating cash outflows of approximately HK$63,266,000 during the year ended 31 March 2020 and had net current liabilities of approximately HK$1,043,000 as at 31 March 2020.

The management closely monitors the Group's financial performance and liquidity position to assess the Group's ability to continue as a going concern. The Group has been operating under an intensely competitive environment due to the emerging of the online travel and booking agencies over the past few years. Following the outbreak of the Coronavirus Disease 2019 ("COVID-19") in January 2020, precautionary and control measures have since been implemented in various countries, which included entry restrictions and quarantine measures over international travel.

These events or conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of these circumstances and the impact of the COVID-19 pandemic, the management has been continuously implementing measures to control operating costs and improve the Group's liquidity and financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation and going concern assumption *(Continued)*

These measures include (i) controlling operating expenditures by downsizing its operations including optimisation of the branch network by closure of under-performed branches, reallocation of workforce in relation to different sale channels, reducing related costs such as rental expenses and staff costs; (ii) negotiating with landlords for rental reductions; (iii) applying for the COVID-19 related subsidies applicable to the Group's companies, including, after considering the effect of staff costs reduction, wages subsidies under the Employment Support Scheme launched by The Government of the Hong Kong Special Administrative Region; and (iv) plans to realise certain non-current assets of the Group, including the disposal of the property in Han Chung Mansion for a cash consideration of HK$28,000,000 (see details in the announcement made by the Company on 16 June 2020).

At the date of authorisation for issue of these consolidated financial statements, the Group had unutilised overdraft facilities of HK$12,000,000 that are subject to renewal review from time to time. The management of the Group has made an assessment on the Group's ability about its ongoing compliance of the terms and conditions of the banking facilities and believe that the banking facilities will likely be renewed.

In the case when further liquidity needs arise, management of the Group would consider disposal of other non-current assets, taking account of the timing and magnitude of the liquidity needs and the market conditions related to the assets that are planned for disposal.

The Company's directors have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from 31 March 2020. Based on the different possible outcomes of the evolution of the COVID-19 pandemic and future development of the travel agency industry, management has prepared the projections that include key assumptions with regard to the anticipated cash flows from the Group's operations, capital expenditures, the COVID-19 related subsidies, the continuous availability of banking facilities, plans for the realisation of certain non-current assets as mentioned above and in note 37. The directors, after making due enquiries and considering the basis of management's projections described above and after taking into account the reasonably possible changes in the operational performance and the continuous availability of the banking facilities, believe that the Group will have sufficient financial resources to operate as a going concern notwithstanding that the Group's ability to achieve the projected cash flows depends on the successful implementation of the aforementioned measures on liquidity and the continuous availability of banking facilities.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their net realisable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments has not been reflected in these financial statements.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest that represent present ownership interests in the subsidiaries either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Basis of consolidation *(Continued)*

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

2.3 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2.4 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree over the net fair value of the identifiable assets and liabilities acquired. The consideration transferred is measured at the aggregate of fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 2.9) and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year.

When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

2.6 Foreign currency translation

The financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from retranslation of monetary assets and liabilities at the end of reporting period are recognised in profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation *(Continued)*

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

2.7 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and any impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is provided to write off the cost over their estimated useful lives, using the straight-line basis, at the following rates per annum:

Leasehold improvements	The shorter of the lease terms and 20% – 50%
Office equipment	33.33% – 50%
Furniture and fixtures	20% – 50%
Motor vehicle	33.33%
Dress and accessories	33.33%
Leasehold land and buildings	Over the lease terms

The assets' useful lives, depreciation methods and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss arising on retirement or disposal is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.8 Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

2.9 Impairment of non-financial assets

Goodwill, property, plant and equipment, right-of-use assets and interests in subsidiaries and associates are subject to an impairment test and are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable. Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of non-financial assets *(Continued)*

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable), whichever is the higher.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash-generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

2.10 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Revenue recognition *(Continued)*

(i) Provision of services relating to sales of air tickets, hotel accommodation and other travel/wedding related products

Revenue from provision of services relating to sales of air tickets, hotel accommodation and other travel/wedding related products is recognised at a point in time when the booking services or tickets are delivered to and have been accepted by the customers.

For walk-in customers, a sales deposit based on certain proportion of the total product cost may be received from customers. A full payment is required before provision of services. For corporate customers, invoices are usually payable upon delivery or within 7 to 90 days.

(ii) Sales of package tours

Revenue from sales of package tours is recognised over time as the customer simultaneously receives and consumes all of the benefit provided by the Group's performance as the Group performs. This means that if another travel agent was to take over providing the remaining performance obligation to the customer, it would not have to substantially re-perform the work already completed by the Group.

In addition, in respect of transactions where the related consideration is concluded to be recognised as revenue over time, the Group has determined that an input method is an appropriate method to measure the Group's progress towards complete satisfaction of a performance obligation satisfied over time.

A full payment is required before provision of services.

(iii) Customer loyalty program

Under the Group's customer loyalty program, the customers who are the members of the customer loyalty program are granted points upon certain purchases, which provides a material right to the customers and gives rise to a separate performance obligation. Portion of the transaction price needs to be allocated to such option with such an amount being recognised as revenue when the additional goods or services are transferred to the customer, or when the option expires.

Provision of services that result in award points for customers, under the Group's customer loyalty programme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods or services supplied and the award points granted. Revenue is not recognised at the time of the initial sale transaction but is deferred and recognised as revenue when the points are redeemed and the Group's obligations have been fulfilled.

Accumulated experience is used to estimate the forfeiture of award points as breakage. The expected breakage amount is recognised as revenue in proportion to the pattern of rights exercised by the customers or when the likelihood of the customer exercising its rights becomes remote.

2.11 Contract liabilities

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customers, a contract liability is recognised when the payment is made or the payment is due (whenever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.12 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial Instruments *(Continued)*

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non-credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial Instruments *(Continued)*

(iii) Financial liabilities *(Continued)*

Financial liabilities at fair value through profit or loss (Continued)

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, amounts due to associates and bank borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in note 2.13(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial Instruments *(Continued)*

(vi) Derecognition *(Continued)*

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash at banks and cash in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.15 Accounting for income taxes

Income tax comprises current and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 Investment Property. Unless the presumption is rebutted, the deferred tax amount on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amount at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodies in the property overtime, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

2.16 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of the total shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from the proceeds (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is improbable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of the economic benefits is remote.

2.18 Leases

Leasing (accounting policies applied from 1 April 2019)

Accounting as a lessee

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 accounting policy choices exist 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 low-value assets and 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.

<u>Right-of-use asset</u>

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-of-use assets 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.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at fair value. For leasehold land and buildings which is held for own use, they are accounted for under HKAS 16 and would be carried at cost, less any accumulated depreciation and any impairment losses. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset in property, plant and equipment apart from the leasehold land and buildings which is held for own use. The right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

<u>Lease liability</u>

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are 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 uses 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Leases *(Continued)*

Leasing (accounting policies applied from 1 April 2019) *(Continued)*

Accounting as a lessee (Continued)

Lease liability *(Continued)*

Subsequent to the commencement date, the Group measures 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.

Lease modification

The Group accounts for a lease modification as a separate lease if: (i) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (ii) the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When the Group is an intermediate lessor, the subleases are classified as finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset.

Leasing (accounting policies applied until 31 March 2019)

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Accounting as a lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Accounting as a lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Retirement benefit costs and short-term employee benefits

Defined contribution plan

The Group operates a defined contribution retirement benefit plan (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong), for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2.20 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

(a) income tax; and
(b) corporate income and expenses which are not directly attributable to the business activities of any operating segment;

are not included in arriving at the operating results of the operating segment.

Corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include deferred tax liabilities attributable to investment properties and lease liabilities for the Group's headquarter.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Adoption of new and revised HKFRSs – effective 1 April 2019

In the current year, the Group has applied for the first time the following amendments issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2019.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 3	Annual Improvements to HKFRSs 2015-2017 Cycle
Amendments to HKAS 12	Annual Improvements to HKFRSs 2015-2017 Cycle
Amendments to HKAS 23	Annual Improvements to HKFRSs 2015-2017 Cycle

The impact of the adoption of HKFRS 16 "Leases" have been summarised in below. The other new or amended HKFRSs that are effective from 1 April 2019 did not have any significant impact on the Group's accounting policies.

HKFRS 16 – Leases

(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(IFRIC)-Int 4"), 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 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

3. ADOPTION OF NEW AND REVISED HKFRSs *(Continued)*

(a) Adoption of new and revised HKFRSs – effective 1 April 2019 *(Continued)*

HKFRS 16 – Leases *(Continued)*

(i) Impact of the adoption of HKFRS 16 (Continued)

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

	HK$'000
Consolidated 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 (non-current)	19,013
Lease liabilities (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 and excluded leases with extension option which the Group considers reasonably certain to exercise	(2,669)
Less: future interest expenses	(1,864)
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 standalone 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.

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.

3. ADOPTION OF NEW AND REVISED HKFRSs *(Continued)*

(a) Adoption of new and revised HKFRSs – effective 1 April 2019 *(Continued)*

HKFRS 16 – Leases *(Continued)*

(iii) Accounting as a lessee (Continued)

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.

<u>Right-of-use asset</u>

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-of-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.

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 in property, plant and equipment apart from the leasehold land and buildings which is held for own use. The right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

<u>Lease liability</u>

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.

3. ADOPTION OF NEW AND REVISED HKFRSs *(Continued)*

(a) Adoption of new and revised HKFRSs – effective 1 April 2019 *(Continued)*

HKFRS 16 – Leases *(Continued)*

(iii) Accounting as a lessee (Continued)

Lease modification

The Group accounts for a lease modification as a separate lease if: (i) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (ii) the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

(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 as operating lease under HKAS 17 with reference to the underlying assets. Under HKFRS 16, when the Group is an intermediate lessor, the subleases are classified as finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17 except for the aforementioned impact.

(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 2019 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, on a lease-by-lease basis, to measure the right-of-use assets at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of 1 April 2019. 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; 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.

3. ADOPTION OF NEW AND REVISED HKFRSs *(Continued)*

(a) Adoption of new and revised HKFRSs – effective 1 April 2019 *(Continued)*

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12 "Income Taxes" by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

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

The following new and revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions[2]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 June 2020

3. ADOPTION OF NEW AND REVISED HKFRSs *(Continued)*

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

Amendments to HKFRS 3 – Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKFRS 16 – COVID-19-Related Rent Concessions

The amendment is issued in June 2020 and is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including interim or annual financial statements not authorised for issue as at 4 June 2020, the date of the amendment is issued.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID19-related rent concessions is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
(c) there is no substantive change to other terms and conditions of the lease.

A lease applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes were not lease modifications. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The critical judgement in applying accounting policies and estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation

The Group depreciates the property, plant and equipment in accordance with the accounting policies stated in note 2.7 above. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of these assets.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(ii) Impairment of receivables

The Group determines the loss allowances of trade and other receivables based on assumptions about risk of default and expected loss rates. The provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. The ECLs of other receivables is based on the 12-month ECLs. In making the judgement, management considers available reasonable and supportable forward-looking information such as actual or expected significant adverse changes in business and customers' financial position. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed by the management.

(iii) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences, of course, will impact upon the income tax and deferred tax provision in the period in which such determination is made.

(iv) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. They are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

(v) Revenue recognition

The Group assesses its business relationships with customers and determines that it is acting as an agent in the majority of transactions relating to provision of services relating to sales of air-tickets, hotel accommodation and other travel/wedding related products, and accordingly to report those revenue on a net basis.

(vi) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

– Investment properties (note 13); and
– Financial assets/liabilities at fair value through profit or loss (note 19).

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

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

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

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Provision of services relating to sales of travel/wedding related products *(note)*	**124,645**	191,369
Sales of package tours *(note)*	**161,000**	112,347
	285,645	303,716
Revenue from other source		
Rental income from investment properties	**1,519**	415
	287,164	304,131
Other income and gains		
Interest income on deposits in banks and financial institutions stated at amortised cost	**1,764**	1,761
Interest income on debt securities	**93**	406
Dividend income from listed securities	**126**	119
Exchange gains	**543**	–
Financial income on the net investment in a sub-lease agreement	**68**	–
Rental income from an associate and a third party	**687**	1,420
Sponsorship and joint advertising income	**10,067**	10,636
Sundry income	**569**	541
	13,917	14,883
Total revenue, other income and gains	**301,081**	319,014

Note:

	2020 HK$'000	2019 HK$'000
Gross sales proceeds related to provision of services relating to sales of travel/wedding related products*	**893,711**	1,303,337
Sales of package tours	**161,000**	112,347
Total customer sales proceeds	**1,054,711**	1,415,684

* 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 a principal as an agent. The gross sales proceeds from these sales, which do not represent revenue, represent the price at which products have been sold inclusive of service fees. The related service income is recorded by the Group on net basis.

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

(Continued)

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

	2020 HK$'000	2019 HK$'000
Trade receivables *(note 17)*	**2,199**	5,711
Contract liabilities *(note 24)*	**13,661**	33,809

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.

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	
	2020 HK$'000	2019 HK$'000
Geographical markets		
Hong Kong	**285,570**	303,639
The People's Republic of China (the "PRC") excluding Hong Kong	**75**	77
Total revenue from contracts with customers	**285,645**	303,716
Major service lines		
Provision of services relating sales of travel/wedding related products	**124,645**	191,369
Sales of package tours	**161,000**	112,347
Total revenue from contracts with customers	**285,645**	303,716
Timing of revenue recognition		
At a point in time	**124,645**	191,369
Transferred over time	**161,000**	112,347
Total revenue from contracts with customers	**285,645**	303,716

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

(Continued)

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	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Revenue								
From external customers	**285,645**	303,716	**1,519**	415	**–**	–	**287,164**	304,131
Reportable segment revenue	**285,645**	303,716	**1,519**	415	**–**	–	**287,164**	304,131
Reportable segment (loss)/profit	**(32,299)**	(8,688)	**(6,479)**	3,358	**(868)**	(2,748)	**(39,646)**	(8,078)
Interest income	**1,743**	1,771	**–**	–	**114**	396	**1,857**	2,167
Changes in fair value of investment properties	**–**	–	**(3,923)**	5,984	**–**	–	**(3,923)**	5,984
Finance costs	**(1,602)**	–	**(71)**	(172)	**–**	–	**(1,673)**	(172)
Dividend income	**–**	–	**–**	–	**126**	119	**126**	119
Depreciation on property, plant and equipment	**(28,164)**	(4,376)	**(933)**	(1,370)	**–**	–	**(29,097)**	(5,746)
Impairment loss on property, plant and equipment	**(20,037)**	(240)	**(1,735)**	–	**–**	–	**(21,772)**	(240)
Impairment loss on goodwill	**–**	(445)	**–**	–	**–**	–	**–**	(445)
Loss on disposal of financial assets/ liabilities at fair value through profit or loss	**–**	–	**–**	–	**(293)**	(965)	**(293)**	(965)
Fair value loss on financial assets/ liabilities at fair value through profit or loss	**–**	–	**–**	–	**–**	(18)	**–**	(18)
Gain on deregistration of a subsidiary	**–**	214	**–**	–	**–**	–	**–**	214
Impairment loss on an associate	**(874)**	–	**–**	–	**–**	–	**(874)**	–
Share of loss of an associate	**(148)**	(114)	**–**	–	**–**	–	**(148)**	(114)
Reportable segment assets	**88,116**	188,409	**101,068**	107,459	**334**	21,538	**189,518**	317,406
Additions to non-current segment assets during the year	**9,030**	3,408	**27**	74	**–**	–	**9,057**	3,482
Reportable segment liabilities	**79,368**	158,392	**6,845**	6,843	**30**	94	**86,243**	165,329

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

(Continued)

Segment information

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

	2020 **HK$'000**	2019 HK$'000
Reportable segment revenue	**287,164**	304,131
Group revenue	**287,164**	304,131
Reportable segment loss	**(39,646)**	(8,078)
Share of losses of associates	**(1,373)**	(140)
Other corporate expenses	**(3,853)**	(5,645)
Loss before income tax	**(44,872)**	(13,863)
Reportable segment assets	**189,518**	317,406
Other corporate assets	**9,413**	16,610
Group assets	**198,931**	334,016
Reportable segment liabilities	**86,243**	165,329
Other corporate liabilities	**1,657**	2,089
Group liabilities	**87,900**	167,418

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

	Revenue from external customers		**Non-current assets**	
	2020 **HK$'000**	2019 HK$'000	**2020** **HK$'000**	2019 HK$'000
Hong Kong (domicile)	**287,089**	304,054	**117,326**	128,730
The PRC excluding Hong Kong	**75**	77	**50**	1,206
	287,164	304,131	**117,376**	129,936

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

Most of the revenue of the Group are derived from Hong Kong. The Group has a large number of customers, and no significant revenue was derived from specific external customers for the years ended 31 March 2019 and 2020.

6. LOSS FROM OPERATIONS

	2020 HK$'000	2019 HK$'000
Loss from operations is arrived at after charging/(crediting):		
Auditor's remuneration	**630**	630
Depreciation expenses of: *(note 12)*		
– owned property, plant and equipment*	**3,572**	5,758
– right-of-use assets included within:**		
– office equipment	**256**	–
– leasehold land and buildings	**873**	–
– other properties leased for own use	**24,396**	–
	29,097	5,758
Loss on disposal of:		
– owned property, plant and equipment	**125**	93
– right-of-use assets included within other properties leased for own use	**244**	–
	369	93
Impairment losses on: *(note 12)*		
– owned property, plant and equipment	**1,154**	331
– right-of-use assets included within:		
– leasehold land and buildings	**1,735**	–
– other properties leased for own use	**18,883**	–
	21,772	331
Impairment loss on goodwill *(note 14)*	**–**	445
Impairment loss on interest in an associate *(note 15)*	**874**	–
Net foreign exchange (gain)/loss	**(543)**	71
Direct operating expenses arising from investment properties that did not generate rental income during the year	**225**	171
Short-term leases expenses	**7,303**	–
Total minimum leases payments for leases previously classified as operating leases under HKAS 17	**–**	42,442
Variable lease payments not included in the measurement of lease liabilities	**66**	6
Staff costs (excluding directors' remuneration *(note 11)*):		
– Salaries and other benefits	**103,043**	134,323
– Retirement scheme contribution	**4,541**	5,601
	107,584	139,924

* Depreciation expenses of owned property, plant and equipment have been included in:

– selling and distribution costs of approximately HK$1,090,000 for the year (2019: HK$1,502,000); and
– administrative expenses of approximately HK$2,482,000 for the year (2019: HK$4,256,000).

** Depreciation expenses of right-of-use assets have been included in:

– selling and distribution costs of approximately HK$19,610,000 for the year (2019: Nil); and
– administrative expenses of approximately HK$5,915,000 for the year (2019: Nil).

The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 April 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated. See note 3(a).

7. FINANCE COSTS

	2020 **HK$'000**	2019 HK$'000
Interest on bank borrowings	**71**	172
Interest on lease liabilities	**1,602**	–
	1,673	172

8. INCOME TAX EXPENSE/(CREDIT) AND DEFERRED TAX

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

	2020 **HK$'000**	2019 HK$'000
Current tax – Hong Kong		
– Tax for the year	**194**	568
Deferred tax *(note 8(ii))*	**(5)**	(787)
	189	(219)

Reconciliation between income tax expense/(credit) and accounting loss at the applicable tax rates is as follows:

	2020 **HK$'000**	2019 HK$'000
Loss before income tax	**(44,872)**	(13,863)
Tax calculated at the rates applicable to loss in the tax jurisdictions concerned	**(7,508)**	(2,229)
Tax effect of non-deductible items	**1,519**	367
Tax effect of non-taxable items	**(432)**	(1,228)
Tax losses utilised for the year	**(117)**	(308)
Tax effect of tax losses not recognised	**6,744**	3,561
Tax effect of temporary differences not recognised	**–**	(342)
Effect of tax reduction	**(17)**	(40)
Income tax expense/(credit)	**189**	(219)

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 years ended 31 March 2020 and 2019.

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the years ended 31 March 2019 and 2020, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rate regime and is calculated 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.

Subsidiary of the Company established in the PRC is subjected to PRC enterprise income tax at 25%. No PRC enterprise income tax has been provided as the Group did not generate any assessable profits in the PRC during the years ended 31 March 2020 and 2019.

8. INCOME TAX EXPENSE/(CREDIT) AND DEFERRED TAX *(Continued)*

(ii) Details of the deferred tax liabilities recognised and movements during the years are as follows:

	Accelerated tax depreciation HK$'000
At 1 April 2018	843
Credited to profit or loss for the year *(note 8(i))*	(787)
At 31 March 2019 and 1 April 2019	56
Credited to profit or loss for the year *(note 8(i))*	(5)
At 31 March 2020	51

As at 31 March 2020, the Group has estimated unused tax losses of approximately HK$88,235,000 (2019: HK$50,035,000) which were available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams. The amount of tax losses of approximately HK$87,564,000 (2019: HK$49,447,000) have no expiry date and HK$671,000 (2019: HK$588,000) are subject to expiry period of five years.

9. DIVIDENDS

	2020 HK$'000	2019 HK$'000
Proposed final dividend	–	10,197

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

	2020 HK$'000	2019 HK$'000
Final dividend proposed in the previous year	**10,197**	10,272

The directors declared a final dividend of HK2.0 cents per ordinary share for the year ended 31 March 2019. The directors do not recommend payment of final dividend for the year ended 31 March 2020.

10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK$45,311,000 (2019: HK$11,402,000) and 509,859,000 (2019: 509,931,000) weighted average number of ordinary shares in issue during the year.

No diluted loss per share is presented for the years ended 31 March 2019 and 2020 as there was no potential ordinary share during the years.

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(i) Directors' emoluments

The emoluments paid or payable to the directors, the chief executive and the senior management were as follows:

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses *(note a)* HK$'000	Retirement scheme contribution HK$'000	Total HK$'000
2020					
Executive directors					
Mr. Ko Wai Ming, Daniel	**–**	**116**	**–**	**6**	**122**
Ms. Cheng Hang Fan	**–**	**946**	**–**	**18**	**964**
Mr. Kam Tze Ming, Alfred *(note b)*	**–**	**435**	**–**	**5**	**440**
Mr. Chan Wan Fung *(note c)*	**–**	**1,263**	**–**	**15**	**1,278**
	–	**2,760**	**–**	**44**	**2,804**
Independent non-executive directors					
Mr. Yung Ha Kuk, Victor	**180**	**–**	**–**	**–**	**180**
Mr. Szeto Chi Man	**144**	**–**	**–**	**–**	**144**
Mr. Mak King Sau	**144**	**–**	**–**	**–**	**144**
	468	**–**	**–**	**–**	**468**
	468	**2,760**	**–**	**44**	**3,272**
2019					
Executive directors					
Mr. Ko Wai Ming, Daniel	–	120	–	6	126
Ms. Cheng Hang Fan	–	1,020	85	18	1,123
Mr. Kam Tze Ming, Alfred	–	1,716	72	18	1,806
Mr. Chan Wan Fung	–	1,500	125	18	1,643
	–	4,356	282	60	4,698
Independent non-executive directors					
Mr. Yung Ha Kuk, Victor	180	–	–	–	180
Mr. Szeto Chi Man	144	–	–	–	144
Mr. Mak King Sau	144	–	–	–	144
	468	–	–	–	468
	468	4,356	282	60	5,166

Notes:

(a) The discretionary bonuses are determined by reference to the Group's performance and approved by the remuneration committee.

(b) Mr. Kam Tze Ming, Alfred resigned as an executive director of the Company with effect from 15 June 2019.

(c) Mr. Chan Wan Fung resigned as an executive director of the Company with effect from 1 February 2020.

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(ii) Five highest paid individuals

The five highest paid individuals of the Group during the year are analysed as follows:

	2020 Number of individuals	2019 Number of individuals
Directors	**2**	3
Non-director, highest paid individuals	**3**	2
	5	5

Details of the remuneration of the above non-director, highest paid individuals during the year are as follows:

	2020 HK$'000	2019 HK$'000
Salaries, allowances and other benefits	**2,411**	1,840
Discretionary bonuses	**20**	148
Retirement scheme contribution	**54**	36
	2,485	2,024

Their emoluments fell within the following emolument bands:

	2020 Number of individuals	2019 Number of individuals
Nil – HK$1,000,000	**3**	1
HK$1,000,001 – HK$1,500,000	**–**	1

During the year, no emoluments were paid by the Group to any directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any emolument during the year.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicle HK$'000	Dress and accessories HK$'000	Leasehold land and buildings HK$'000	Other properties lease for own use HK$'000	Total HK$'000
At 31 March 2018								
Cost	16,467	23,681	3,584	514	336	76,260	–	120,842
Accumulated depreciation	(12,716)	(20,523)	(2,854)	(243)	(168)	(11,232)	–	(47,736)
Net book amount	3,751	3,158	730	271	168	65,028	–	73,106
Year ended 31 March 2019								
Opening net book amount	3,751	3,158	730	271	168	65,028	–	73,106
Additions	826	1,102	71	–	–	–	–	1,999
Disposals	(23)	(26)	(44)	–	–	–	–	(93)
Depreciation	(1,944)	(1,919)	(284)	(171)	(84)	(1,356)	–	(5,758)
Impairment loss	(20)	(203)	(17)	–	–	(91)	–	(331)
Transfer to investment properties *(note 13)*	–	–	–	–	–	(45,873)	–	(45,873)
Exchange realignment	–	(8)	–	–	–	–	–	(8)
Closing net book amount	2,590	2,104	456	100	84	17,708	–	23,042
At 31 March 2019								
Cost	11,780	23,744	3,175	514	336	20,768	–	60,317
Accumulated depreciation and impairment	(9,190)	(21,640)	(2,719)	(414)	(252)	(3,060)	–	(37,275)
Net book amount	2,590	2,104	456	100	84	17,708	–	23,042
Year ended 31 March 2020								
Opening net book amount	**2,590**	**2,104**	**456**	**100**	**84**	**17,708**	**–**	**23,042**
Impact of adoption of HKFRS 16 *(note 3(a)(i))*	**–**	**960**	**–**	**–**	**–**	**–**	**43,163**	**44,123**
Additions	**452**	**1,274**	**126**	**–**	**–**	**–**	**7,182**	**9,034**
Disposals	**(16)**	**(14)**	**(49)**	**–**	**(84)**	**–**	**(4,444)**	**(4,607)**
Depreciation	**(1,810)**	**(1,724)**	**(194)**	**(100)**	**–**	**(873)**	**(24,396)**	**(29,097)**
Impairment loss	**(394)**	**(506)**	**(254)**	**–**	**–**	**(1,735)**	**(18,883)**	**(21,772)**
Exchange realignment	**–**	**(5)**	**–**	**–**	**–**	**–**	**–**	**(5)**
Closing net book amount	**822**	**2,089**	**85**	**–**	**–**	**15,100**	**2,622**	**20,718**
At 31 March 2020								
Cost	**10,409**	**23,442**	**1,964**	**514**	**–**	**20,768**	**45,553**	**102,650**
Accumulated depreciation and impairment	**(9,587)**	**(21,353)**	**(1,879)**	**(514)**	**–**	**(5,668)**	**(42,931)**	**(81,932)**
Net book amount	**822**	**2,089**	**85**	**–**	**–**	**15,100**	**2,622**	**20,718**

At 31 March 2020, the Group's leasehold land and buildings of approximately HK$15,100,000 (2019: HK$17,708,000) were pledged to secure a bank borrowing granted to the Group (note 26).

In view of the operating losses of certain subsidiaries, the directors have performed an impairment assessment of the property, plant and equipment of these subsidiaries during the year ended 31 March 2020. Property, plant and equipment were tested at the level of cash-generating units of travel and travel related business and wedding business. The recoverable amounts for the cash-generating units were determined to be insignificant based on the value in use calculations covering detailed five-year (2019: three-year) budget plans approved by the management and pre-tax discount rate ranged from 12% to 22% (2019: 8%) estimated by the management. An impairment loss of approximately HK$21,772,000 (2019: HK$331,000) was recognised in respect of the property, plant and equipment of these subsidiaries during the year ended 31 March 2020.

13. INVESTMENT PROPERTIES

	2020 **HK$'000**	2019 HK$'000
At beginning of the year	**88,800**	–
Transfer from property, plant and equipment *(notes (a) and 12)*	**–**	80,600
Additions	**23**	2,216
Changes in fair value of investment properties	**(3,923)**	5,984
At end of the year	**84,900**	88,800

The investment properties represent property interests held under operating leases to earn rentals or for capital appreciation purposes.

Notes:

(a) During the year ended 31 March 2019, the Group reclassified certain formerly self-occupied commercial and industrial properties in Hong Kong previously classified as leasehold 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 (note 12) 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.

(b) The fair value of the Group's investment properties as at 31 March 2020 and 2019 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**	**2020** **Range**	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$25 to HK$40**	HK$29 to HK$42
		Reversionary yield	**1.3% to 3.0%**	2.9% to 3.2%
Industrial properties	Investment method	Market monthly rental rate taking into account of individual factors such as location, environment, age, accessibility, floor, size, etc. (HK$/square feet)	**HK$17 to HK$26**	HK$19 to HK$28
		Reversionary yield	**3.2% to 3.7%**	3.6% to 3.8%

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

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

13. INVESTMENT PROPERTIES *(Continued)*

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.

	2020 HK$'000	2019 HK$'000
Opening balance (level 3 recurring fair value)	**88,800**	–
Transfer from property, plant and equipment *(note 12)*	**–**	80,600
Additions	**23**	2,216
Changes in fair value of investment properties	**(3,923)**	5,984
Closing balance (level 3 recurring fair value)	**84,900**	88,800
Changes in unrealised (loss)/gain for the year included in profit or loss for the assets held at 31 March	**(3,923)**	5,984

At 31 March 2020, investment properties of approximately HK$84,900,000 (2019: HK$8,800,000) were pledged to secure banking facilities granted to the Group (note 26).

14. GOODWILL

The net carrying amount of goodwill is analysed as follows:

	2020 HK$'000	2019 HK$'000
At beginning of the year		
Cost	**445**	445
Accumulated impairment	**(445)**	–
Net carrying amount	**–**	445
For the year ended 31 March		
Cost at beginning of the year, net of impairment	**–**	445
Impairment during the year	**–**	(445)
Cost at end of the year, net of impairment	**–**	–
At end of the year		
Cost	**445**	445
Accumulated impairment	**(445)**	(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 approved by the management 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 impairment losses of goodwill of HK$445,000 and property, plant and equipment of HK$96,000 in the wedding business, which were 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.

15. INTERESTS IN ASSOCIATES

	2020 HK$'000	2019 HK$'000
Share of net assets other than goodwill	9,243	10,496
Accumulated impairment	(874)	–
Net carrying amount	8,369	10,496

Particulars of the associate, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name	Place and date of incorporation	Particular of issued capital/registered capital	Percentage of equity interest attributable to the Group	Principal activities
Wealth Asia Development Limited ("Wealth Asia")	Hong Kong 8 October 2003	HK$20	20%	Property holding
深圳市弘達國際旅行社有限公司	The PRC 12 September 2017	Renminbi ("RMB") 6,000,000	20%	Travel and travel related business

During the year, an associate incorporated in Hong Kong namely C Holidays Limited was derecognised. No gain or loss was recognised in profit or loss on decrecognition of the associate.

The associates are unlisted corporate entities whose quoted market prices are not available.

Summarised financial information of material associate, adjusted for any difference in accounting policies:

	Wealth Asia	
	2020 HK$'000	2019 HK$'000
As at 31 March		
Non-current assets	41,000	46,000
Current assets	1,311	597
Current liabilities	(381)	(328)
Non-current liabilities	(83)	(83)
Net assets	41,847	46,186
Percentage of equity interest attributable to the Group	20%	20%
The Group's share of associates' net assets	8,369	9,237
Year ended 31 March		
Revenue	788	808
(Loss)/profit for the year	(4,339)	1,537
Other comprehensive income	–	–
Total comprehensive income	(4,339)	1,537
Dividend received from associate	–	–
Aggregate amount of the Group's share of Wealth Asia:		
– (Loss)/profit for the year	(868)	307

15. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of immaterial associates:

	2020 HK$'000	2019 HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	–	1,259
Aggregate amount of the Group's share of those associates:		
– Loss for the year	(653)	(561)
– Other comprehensive income	–	–
Total comprehensive income for the year	(653)	(561)

16. INVENTORIES

The inventories are carried at lower of cost and net realisable value and represent principally tickets which are to be utilised in the ordinary course of operations.

17. TRADE RECEIVABLES

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

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

	2020 HK$'000	2019 HK$'000
0 – 30 days	1,420	3,931
31– 90 days	315	1,524
Over 90 days	464	256
	2,199	5,711

The Group has a policy of allowing customers credit periods normally within 30 days. Overdue balances are reviewed regularly by the Group's management. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 34(i).

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Prepayments	6,480	6,929
Deposits	13,999	15,934
Other receivables	11,932	14,781
	32,411	37,644
Classified as:		
Non-current assets	3,389	7,598
Current assets	29,022	30,046
	32,411	37,644

The financial assets included in the above balances relate to receivables for which there was no recent history of default. None of these financial assets is either past due or impaired.

19. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Financial assets at fair value through profit or loss:		
Equity securities held for trading, listed in Hong Kong *(note a)*	–	5,841
Debt securities held for trading, listed in Hong Kong *(note b)*	–	3,907
Debt securities held for trading, listed in overseas *(note b)*	–	3,902
	–	13,650
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments		
– Hang Seng Index future contract *(note a)*	–	60

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 value of debt securities traded on over-the-counter ("OTC") are determined based on quoted market price available on the OTC market.

20. TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

	2020 HK$'000	2019 HK$'000
Cash deposits in banks and financial institutions	**23,273**	51,843
Short-term deposits in banks	**20,851**	70,334
	44,124	122,177
Time deposits with an original maturity of more than three months	–	(30,000)
Cash and cash equivalents	**44,124**	92,177

Cash at banks and financial institutions earn interest at floating rates based on daily deposit rates. Short-term deposits in banks are made for varying periods between one week and six months (2019: three months and one year) depending on the immediate cash requirements of the Group, and earn interest at respective short-term deposit rates, ranging from 1.11% to 3.00% (2019: from 0.70% to 2.67%) per annum.

The Group had cash and bank balances denominated in RMB of approximately RMB531,000 (2019: RMB976,000) and the remittance of these funds out of the PRC was subject to the exchange control restrictions imposed by the PRC government.

21. PLEDGED DEPOSITS

As at 31 March 2020, pledged deposits of Nil (2019: HK$1,573,000) and approximately HK$1,630,000 (2019: HK$21,016,000) represented deposits pledged to a broker and banks (2019: a broker and a bank) as securities for derivative financial instruments and banking facilities of the Group.

22. TRADE PAYABLES

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

	2020 **HK$'000**	2019 HK$'000
0 – 30 days	**9,211**	61,305
31– 90 days	**3,568**	18,231
Over 90 days	**5,808**	9,578
	18,587	89,114

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

23. ACCRUED CHARGES, DEPOSITS RECEIVED AND OTHER PAYABLES

	2020 **HK$'000**	2019 HK$'000
Accrued charges	**7,612**	19,230
Deposits received	**589**	435
Other payables	**19,709**	12,490
	27,910	32,155

24. CONTRACT LIABILITIES

	2020 **HK$'000**	2019 HK$'000
Contract liabilities arising from:		
Travel and travel/wedding related business		
– Provision of services relating to sales of travel/wedding related products *(note a)*	**8,569**	14,827
– Sales of package tours *(note b)*	**4,466**	17,279
– Customer loyalty programme *(note c)*	**626**	1,703
	13,661	33,809

Typical payment terms which impact on the amounts of contract liabilities are as follows:

(a) Provision of services relating to sales of travel/wedding related products
The deposit the Group received on sales of travel/wedding related products remains as a contract liability until such time as the booking service of travel/wedding related products are delivered to and accepted by customers.

(b) Sales of package tours
Where discrepancies arise between the payments received in advance from customers and the Group's assessment of the stage of completion, contract liabilities arise.

(c) Customer loyalty programme
The Group grants points upon certain purchases of customers who are the members of the Group's customer loyalty program. The Group determines this offer represents a material right to purchase additional travel related products in the future one year (2019: three years) and recognised as a contract liability based on the relative stand-alone price of the performance obligations in the contract. The contract liability recognises as revenue when the customer redeems it for goods or services or when it expires.

24. CONTRACT LIABILITIES *(Continued)*

As at 31 March 2020, the aggregate amount of the transaction price allocated to the remaining performance obligations in connection to the unexpired points of customer loyalty programme is HK$626,000 (2019: HK$1,703,000) and the Group will recognise this revenue within 12 months (2019: 36 months) as the points are effective for 12 months (2019: 36 months). The remaining performance obligations of other contracts are expected to be recognised within one year.

	2020 **HK$'000**	2019 HK$'000
Movement in contract liabilities:		
Balance at beginning of the year	**33,809**	27,430
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(30,369)**	(26,877)
Increase in contract liabilities as a result of billing in advance of travel and travel/wedding related business	**10,221**	33,256
Balance at end of the year	**13,661**	33,809

25. AMOUNTS DUE FROM/(TO) ASSOCIATES

The amounts are unsecured, interest free and repayable on demand.

As at 31 March 2019, included in prepayments, deposits and other receivables, HK$202,000 represents rental deposit paid to an associate.

26. BANK BORROWINGS

	2020 **HK$'000**	2019 HK$'000
Secured bank borrowings		
Portion due for repayment within one year	**499**	486
Portion due for repayment after one year which contains a repayable on demand clause	**2,427**	2,926
	2,926	3,412

The Group's interest-bearing bank borrowings of approximately HK$2,926,000 (2019: HK$3,412,000) bear interest at a floating rate of 3.1% per annum below HK$ prime (2019: 2.15% per annum below HKD prime) are secured by the corporate guarantee provided by the Company and the Group's leasehold land and buildings of approximately HK$15,100,000 (2019: HK$17,708,000) (note 12) and an investment property of approximately HK$6,900,000 (2019: HK$8,800,000) (note 13) as at 31 March 2020.

The current liabilities include bank borrowings of approximately HK$2,427,000 (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.

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2020** **HK$'000**	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries		**36,900**	36,900
		36,900	36,900
Current assets			
Prepayments		**310**	134
Amounts due from subsidiaries		**190,798**	162,204
Cash and cash equivalents		**133**	471
		191,241	162,809
Current liabilities			
Accrued charges and other payables		**79**	608
Amounts due to subsidiaries		**123,365**	61,860
Provision for tax		**11**	5
		123,455	62,473
Net current assets		**67,786**	100,336
Total assets less current liabilities		**104,686**	137,236
Net assets		**104,686**	137,236
EQUITY			
Share capital	*28*	**5,099**	5,099
Reserves	*29(b)*	**99,587**	132,137
Total equity		**104,686**	137,236

Ko Wai Ming, Daniel
Director

Cheng Hang Fan
Director

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Details of the subsidiaries at 31 March 2020 are as follows:

Name	Place and date of incorporation	Particular of issued capital/registered capital	Effective interest held by the Company	Principal activities
Interests held directly				
Travel Expert Enterprises (BVI) Limited	The BVI 2 March 2010	US$0.01 at US$0.01 per share	100%	Investment holding
Interests held indirectly				
Travel Expert Enterprises Limited （專業旅運企業有限公司）	Hong Kong 6 January 2006	HK$1 ordinary share	100%	Investment holding
Travel Expert Limited （專業旅運有限公司）	Hong Kong 20 June 1986	HK$18,000,000 ordinary shares	100%	Travel and travel related business
Travel Expert Business Services Limited （專業旅運商務有限公司）	Hong Kong 24 March 1994	HK$750,000 ordinary shares	100%	Travel and travel related business
MICExpert Limited （尊業旅程策劃有限公司）	Hong Kong 4 July 1989	HK$500,000 ordinary shares	100%	Investment holding
Cruise Expert Limited （專業郵輪有限公司）	Hong Kong 13 October 1999	HK$1,000,000 ordinary shares	100%	Travel and travel related business
Power Empire Investments Limited （尊業旅運（香港）有限公司）	Hong Kong 5 August 2010	HK$1 ordinary share	100%	Holding of the Group's trademark
Tailor Made Holidays Limited （度新假期有限公司）	Hong Kong 21 September 2010	HK$1,750,000 ordinary shares	100%	Travel and travel related business
Champion Gate Limited （昌基有限公司）	Hong Kong 27 January 2011	HK$1 ordinary share	100%	Investment holding and property holding
Travel Expert (Shenzhen) Limited* （尊業旅行社（深圳）有限公司）	The PRC 21 December 2011	RMB3,500,000	100%	Travel and travel related business
Smart Elite Investments Limited （傑駿投資有限公司）	Hong Kong 23 August 2012	HK$1 ordinary share	100%	Investment holding and property holding
Premium Holidays Limited （尊賞假期有限公司）	Hong Kong 13 July 2012	HK$1,250,000 ordinary shares	100%	Travel and travel related business
SHARExpert Travel Limited （專享旅遊策劃有限公司）	Hong Kong 6 September 2012	HK$500,000 ordinary shares	100%	Investment holding
AppoMax Technology Limited （亞寶邁科技有限公司）	Hong Kong 7 March 2014	HK$500,000 ordinary shares	70%	Holding of the Group's technology system
Travel Expert Asset Management Limited （專業旅運資產管理有限公司）	Hong Kong 25 October 2012	HK$1 ordinary shares	100%	Investment in treasury activities

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Name	Place and date of incorporation	Particular of issued capital/registered capital	Effective interest held by the Company	Principal activities
Travel Expert Online Limited (專業旅運電子商貿有限公司)	Hong Kong 9 August 2013	HK$500,000 ordinary shares	100%	Travel and travel related business
Profit Genius Marketing Solutions Limited (盈雋市場策劃有限公司)	Hong Kong 5 June 2015	HK$1 ordinary share	100%	Property investment and marketing solutions
Take My Hand Limited (緣動有限公司)	Hong Kong 11 April 2013	HK$500,000 ordinary shares	100%	Wedding and wedding related business
Travel Expert Group Management Limited (專業旅運集團管理有限公司)	Hong Kong 23 October 2015	HK$1 ordinary share	100%	Provision of management service

* Travel Expert (Shenzhen) Limited is a wholly foreign owned enterprise established in the PRC.

The financial statements of the subsidiaries have been examined by BDO Limited for the purpose of the Group's consolidated financial statements.

During the year, a partially-owned subsidiary incorporated in Hong Kong namely Take My Hand Bella Limited was deregistered. No gain or loss was recognised in profit or loss on deregistration of this subsidiary.

During the year, the Group acquired additional 40% ownership interest in its subsidiary, Take My Hand Limited. Following the acquisition, Take My Hand Limited became a wholly-owned subsidiary of the Group.

During the year ended 31 March 2019, a partially-owned subsidiary incorporated in the PRC namely TE Nice Tour (Shenzhen) Limited was deregistered. A gain on deregistration of a subsidiary of approximately HK$214,000 was credited to profit or loss upon deregistration.

28. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	**2,000,000**	**20,000**
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2018	513,579	5,136
Repurchase of the Company's own shares	(3,720)	(37)
At 31 March 2019, 1 April 2019 and 31 March 2020	**509,859**	**5,099**

29. RESERVES

(a) Group

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity of the financial statements.

Share premium

The share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued.

Merger reserve

The merger reserve of the Group represents the difference between the investment cost in subsidiaries of Travel Expert Enterprises (BVI) Limited and the nominal value of the issued share capital of the Group's subsidiaries.

Other reserve

The other reserve of the Group represents the gain/loss on changes in the Group's interests in subsidiaries that do not result in a loss of control.

Asset revaluation reserve

Asset revaluation reserve represents the revaluation surplus arising from transfer of owner-occupied properties to investment properties upon change in use.

(b) Company

	Share premium HK$'000	Contributed surplus HK$'000	Share redemption reserve HK$'000	Proposed final dividend HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2018	57,779	36,900	–	10,272	39,536	144,487
Profit for the year	–	–	–	–	5	5
Final dividend paid	–	–	–	(10,272)	30	(10,242)
Final dividend proposed	–	–	–	10,197	(10,197)	–
Repurchase of the Company's own share	(2,150)	–	37	–	–	(2,113)
At 31 March 2019 and 1 April 2019	**55,629**	**36,900**	**37**	**10,197**	**29,374**	**132,137**
Loss for the year	**–**	**–**	**–**	**–**	**(22,353)**	**(22,353)**
Final dividend paid	**–**	**–**	**–**	**(10,197)**	**–**	**(10,197)**
At 31 March 2020	**55,629**	**36,900**	**37**	**–**	**7,021**	**99,587**

Note:

The contributed surplus of the Company represented the difference between the net asset value of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the reorganisation in 2011.

30. BANKING FACILITIES

As at 31 March 2020, the Group's banking facilities are approximately HK$126,261,000 (2019: HK$183,680,000) with approximately HK$24,508,000 (2019: HK$35,572,000) being utilised. The Group's banking facilities were secured by:

(i) the leasehold land and buildings with carrying amount of approximately HK$15,100,000 (2019: HK$17,708,000) as at 31 March 2020;
(ii) the investment properties with carrying amount of approximately HK$84,900,000 (2019: HK$8,800,000) as at 31 March 2020;
(iii) the pledged deposits with carrying amount of approximately HK$1,630,000 as at 31 March 2020 (2019: HK$21,016,000); and
(iv) the corporate guarantee or cross-guarantees provided by the Company and/or certain subsidiaries.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, amount due to an associate of HK$5,251,000 were settled through amount due from another associate.

(b) Reconciliation of liabilities arising from financing activities

	Lease liabilities HK$'000	Bank borrowings HK$'000	Total HK$'000
At 31 March 2019	**–**	**3,412**	**3,412**
Impact of initial application of HKFRS 16 *(note 3(a)(i))*	**43,664**	**–**	**43,664**
At 1 April 2019	**43,664**	**3,412**	**47,076**
Changes from financing cash flows:			
Settlement of lease liabilities	**(24,739)**	**–**	**(24,739)**
Repayment of principal	**–**	**(486)**	**(486)**
Interest paid	**(1,602)**	**(71)**	**(1,673)**
Other changes:			
Additions of lease liabilities	**7,156**	**–**	**7,156**
Interest expense recognised	**1,602**	**71**	**1,673**
Lease modification	**(2,048)**	**–**	**(2,048)**
At 31 March 2020	**24,033**	**2,926**	**26,959**
At 1 April 2018	–	21,705	21,705
Changes from financing cash flows:			
Repayment of principal	–	(18,293)	(18,293)
Interest paid	–	(172)	(172)
Other change:			
Interest expense recognised	–	172	172
At 31 March 2019	–	3,412	3,412

32. LEASES

The Group leases certain properties and office equipment in Hong Kong and the PRC. Following the adoption of HKFRS 16 by the Group 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.

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 March 2020 HK$'000	1 April 2019 HK$'000
Ownership interests in leasehold land and buildings held for own use, carried at cost in Hong Kong, with remaining lease term of between 10 and 50 years	**15,100**	17,708
Other properties leased for own use, carried at cost	**2,622**	43,163
Office equipment, carried at cost	**704**	960
	18,426	61,831
Ownership interests in leasehold investment properties, carried at fair value in Hong Kong, with remaining lease term of between 10 and 50 years	**84,900**	88,800

Lease liabilities

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

	31 March 2020		1 April 2019	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**18,782**	**19,327**	24,651	26,091
More than 1 year but less than 2 years	**4,361**	**4,460**	16,599	16,982
More than 2 years but less than 5 years	**890**	**899**	2,208	2,250
More than 5 years	**–**	**–**	206	209
	24,033	**24,686**	43,664	45,532
Less: total future interest expenses	**–**	**(653)**	–	(1,868)
Present value of lease liabilities	**24,033**	**24,033**	43,664	43,664

Note:

The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See notes 3(a)(i) to (v) for further details about transition.

32. LEASES *(Continued)*

Lease liabilities *(Continued)*

The present value of future lease payments are analysed as:

	31 March 2020 HK$'000	1 April 2019 HK$'000
Current liabilities	**18,782**	24,651
Non-current liabilities	**5,251**	19,013
	24,033	43,664

Lease receivables

Following the adoption of HKFRS 16 by the Group on 1 April 2019, a sublease arrangement that was previously classified as an operating lease applying HKAS 17 is classified as a finance lease with reference to the right-of-use asset arising from the head lease. At the end of the year, the total lease payment receivable by the Group in future periods under a non-cancellable finance lease with its tenant is as follows:

	31 March 2020	
	Present value of the minimum lease payments receivable HK$'000	**Total minimum lease payments receivable HK$'000**
Within 1 year	**881**	**893**
	881	**893**
Less: unearned finance income	**–**	**(12)**
Present value of lease receivables	**881**	**881**

	31 March 2020 HK$'000
Current assets	**881**

Operating lease commitments

As lessee

For the year ended 31 March 2019, the Group leases certain premises under operating lease commitments for terms ranging from one to three years. Certain leases contain an option to renew the lease and renegotiated 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 levels.

At the end of the year ended 31 March 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019 HK$'000
Within one year	31,327
In the second to fifth years, inclusive	16,870
	48,197

32. LEASES *(Continued)*

Lease receivables *(Continued)*

Operating lease commitments *(Continued)*

As lessor

The Group's investment properties are leased to tenants under operating lease. At the end of the year, the Group had total minimum lease receivables under non-cancellable operating leases falling due as follows:

	2020 **HK$'000**	2019 HK$'000
Within one year	**480**	1,884
After one year but within two years	**–**	1,039
	480	2,923

33. CAPITAL COMMITMENTS

As at 31 March 2020, 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$211,000 (2019: HK$176,000).

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The main risks arising from the Group's financial instruments are market risk (including principally changes in interest rates and currency exchange rates), credit risk and liquidity risk. The board of directors reviews and agrees policies for each of these risks and they are summarised below. Generally, the Group employs conservative strategy regarding its risk management.

(i) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's credit risk is primarily attributable to trade receivables, deposits, other receivables, lease receivables, amount due from an associate, financial assets at fair value through profit or loss, cash deposits in banks and financial institutions. The Group's exposure to credit risks arising from cash deposits in banks and financial institutions and financial assets at fair value through profit or loss are limited because these financial assets held by the Group are mainly deposited in banks and reputable financial intuitions, for which the Group considers to have low credit risk.

In respect of trade receivables, the Group has no significant concentrations of credit risk arising from its ordinary course of business due to its large customer base and the counterparties are creditworthy which have low risk of default in repayment.

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permit the use of lifetime ECLs provision for trade receivables and lease receivables. In measuring the ECLs, trade receivables and lease receivables are grouped based on shared credit risk characteristics and days past due. The expected loss rates are based on the payment profiles of sales/leases over a period of 5 years and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the ability of the customers/tenants to settle the receivables. On that basis, no loss allowance for trade receivables and lease receivables was recognised during the year.

The Group adopts general approach for ECLs of deposits, other receivables and amount due from an associate and consider these financial assets have not significantly increased in credit risk from initial recognition. Thus, these financial assets are classified in stage one and only consider 12-month ECLs.

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(ii) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk mainly arises on deposits in banks and financial institutions (note 20) and bank borrowing (note 26) which are at floating rates. The Group's policy is to manage its interest cost using a mix of fixed and floating rate borrowings. Derivative contracts may be used to hedge the Group's exposure to interest rate risk, when and where appropriate.

Interest rate sensitivity

The following table illustrates the sensitivity of the Group's loss for the year and retained profits to a possible change in the following interest rates with effect from the beginning of the year. The assumed changes have no impact on the Group's other components of equity.

	Effect on loss for the year and retained profits			
	Possible change in interest rates	**Decrease in loss and increase in retained profits** HK$'000	**Possible change in interest rates**	**Increase in loss and decrease in retained profits** HK$'000
31 March 2020	**+1%**	**208**	**–1%**	**(208)**
31 March 2019	+1%	893	–1%	(893)

The assumed changes in interest rates represent management's assessment of a reasonably possible change in interest rates over the periods until the next annual reporting date.

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(iii) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has foreign currency exposures. Such exposures arise from the balance of assets and liabilities in currencies other than the functional currency of the Group's entities. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date that are considered significant by the directors of the Company are stated as follows:

	2020 HK$'000	2019 HK$'000
Assets:		
Japanese Yen ("JPY")	**1,681**	4,645
United States dollars ("US$")	**738**	3,295
EURO ("EUR")	**1,373**	9,715
Australian dollar ("AUD")	**225**	577
Singapore dollar ("SGD")	**168**	397
RMB	**1,159**	1,159
New Zealand dollar ("NZD")	**81**	27
Canadian dollar ("CAD")	**25**	224
	5,450	20,039
Liabilities:		
JPY	**(706)**	(7,550)
US$	**(2,875)**	(6,098)
EUR	**(3,272)**	(4,210)
AUD	**(174)**	(412)
SGD	**(44)**	(260)
Malaysian Rin ("MYR")	**(31)**	(118)
Philippine Peso ("PHP")	**(2)**	(2)
Thailand Baht ("THB")	**(58)**	(184)
RMB	**(259)**	(237)
Taiwanese dollar ("TWD")	**(19)**	(152)
Macau Pataca ("MOP")	**(73)**	(399)
NZD	**–**	(524)
CAD	**(9)**	(28)
	(7,522)	(20,174)
Net exposure to foreign currency risk	**(2,072)**	(135)

The Group's policy requires the management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rate and may enter into foreign currency options or forward contracts, when and where appropriate.

As US$ is pegged to HK$, the Group does not expect any significant movements in the US$/HK$ exchange rates. No sensitivity analysis in respect of the Group's financial assets and liabilities denominated in US$ is disclosed as in the opinion of the directors, such sensitivity analysis does not give additional value in view of insignificant movement in the US$/HK$ exchange rates as at the end of reporting period.

The following table illustrates the sensitivity of the Group's loss for the year and retained profits in regard to a 5% appreciation in the functional currencies of the Group's entities against the foreign currencies. These rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(iii) Foreign currency risk *(Continued)*

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the year has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the year and held constant throughout the year.

	Decrease/(increase) in loss	
	2020	2019
	HK$'000	HK$'000
JPY	**(41)**	121
EUR	**79**	(230)
AUD	**(2)**	(7)
SGD	**(5)**	(6)
MYR	**1**	5
THB	**2**	8
RMB	**(38)**	(38)
TWD	**1**	6
MOP	**3**	17
NZD	**(3)**	21
CAD	**(1)**	(8)
	(4)	(111)

The same percentage depreciation in the functional currencies of the Group's entities against the respective foreign currencies would have the same magnitude on the Group's loss for the year and retained profits but of opposite effect.

These are the same method and assumption used in preparing the sensitivity analysis included in the consolidated financial statements of the year ended 31 March 2019.

(iv) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its current financial liabilities. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations, mitigate the effects of fluctuations in cash flows and compliance with its covenants of the credit and banking facilities. The Group relies on internally generated funding and available banking facilities to the Group as significant sources of liquidity.

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(iv) Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities at the end of the year, based on the contracted undiscounted payments, was as follows:

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On Demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
At 31 March 2020						
Trade payables	18,587	18,587	18,587	–	–	–
Other payables	19,709	19,709	19,709	–	–	–
Amounts due to associates	219	219	219	–	–	–
Bank borrowing	2,926	2,926	2,926	–	–	–
Lease liabilities	24,033	24,686	–	19,327	4,460	899
	65,474	66,127	41,441	19,327	4,460	899

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	Less than three months HK$'000
At 31 March 2019				
Trade payables	89,114	89,114	27,831	61,283
Other payables	12,490	12,490	12,490	–
Financial liabilities at fair value through profit or loss	60	60	–	60
Amounts due to associates	8,338	8,338	8,338	–
Bank borrowing	3,412	3,412	3,412	–
	113,414	113,414	52,071	61,343

The table below summarises the maturity analysis of bank borrowing based on agreed scheduled repayments set out in the loan agreements. The amount includes interest payments computed using contractual rates. As a result, the amount was greater than the amount disclosed in the above "on demand" time band in the maturity analysis. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such borrowing will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
At 31 March 2020						
Bank borrowing	2,926	3,107	557	556	1,994	–
At 31 March 2019						
Bank borrowing	3,412	3,677	559	558	1,676	884

As mentioned in note 2.1, the Group has undertaken certain measures to increase its available working capital to enable it to continue to operate as going concern.

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(v) Price risk

Equity price risk relates to the risk that the fair values of equity securities will fluctuate because of changes in the levels of equity indices and the values of individual securities. The Group is mainly exposed to equity price risk arising from the investments in listed equity securities classified as financial assets at fair value through profit or loss as at 31 March 2019 as mentioned in note 19 which are valued at quoted market prices at the reporting date. The Group's investments in listed equity securities are mainly publicly traded in the Stock Exchange.

For the equity securities listed on the Stock Exchange, an average volatility of 3.30% had been observed in the Hang Seng Index during the year ended 31 March 2019.

The table below summaries the impact of increase/decrease of the Hang Seng Index on the Group's loss for the year and retained profits. The analysis is based on the assumption that the Hang Seng Index had increased/decreased by 10% with all other variables held constant and all the Group's listed equity securities moved according to the historical correlation with the Hang Seng Index.

	Effect on loss for the year and retained profits			
	Possible change in market price	**Decrease in loss and increase in retained profits** HK$'000	**Possible change in market price**	**Increase in loss and decrease in retained profits** HK$'000
31 March 2019	+10%	584	–10%	(584)

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(vi) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the end of the year are analysed into the following categories. See note 2.13 for explanations about how the category of financial instruments affects their subsequent measurement.

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at fair value through profit or loss		
– Listed equity securities	**–**	5,841
– Listed debt securities	**–**	7,809
	–	13,650
Financial assets at amortised cost		
– Trade receivables	**2,199**	5,711
– Deposits and other receivables	**25,931**	30,538
– Lease receivables	**881**	–
– Amount due from an associate	**135**	5,690
– Pledged deposits	**1,630**	22,589
– Time deposits over three months	**–**	30,000
– Cash and cash equivalents	**44,124**	92,177
	74,900	200,355
Financial liabilities		
Financial liabilities measured at fair value through profit or loss		
– Derivatives	**–**	60
Financial liabilities at amortised cost		
– Trade payables	**18,587**	89,114
– Other payables	**19,709**	12,490
– Amounts due to associates	**219**	8,338
– Bank borrowing	**2,926**	3,412
– Lease liabilities	**24,033**	–
	65,474	113,354

(vii) Fair value measurements recognised in the consolidated statement of financial position

The following table presents financial assets and liabilities 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 assets and liabilities are categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(vii) Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

The financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	2019			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss				
– Listed debt securities	7,809	–	–	7,809
– Listed equity investments	5,841	–	–	5,841
	13,650	–	–	13,650
Financial liabilities at fair value through profit or loss				
– Derivatives	60	–	–	60

There have been no transfers between different levels during the year.

The carrying amounts of the financial instruments carried at amortised cost are not materially different from their fair values as at 31 March 2019 and 2020.

35. CAPITAL MANAGEMENT

The Group's objectives when managing capital include:

(i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
(ii) To support the Group's stability and growth; and
(iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or raise new debts. No changes were made in the objectives, policies or processes for managing capital during the year.

35. CAPITAL MANAGEMENT *(Continued)*

The capital-to-overall financing ratio at the end of the year was as follows:

	2020 HK$'000	2019 HK$'000
Capital:		
Total equity	**111,031**	166,598
Overall financing:		
Bank borrowing	**2,926**	3,412
Capital-to-overall financing ratio	**37.95 times**	48.83 times

36. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in these financial statements, the following transactions were carried out by the Group with related parties during the years.

(i) Significant related party transactions during the years

	2020 HK$'000	2019 HK$'000
Rental expenses paid to an associate	**788**	808
Rental income received from an associate	**–**	171
Travel service income received from associates	**534**	–
Travel service fees charged by associates	**5,769**	10,916

Notes:

1. The terms for amounts due from/(to) associates as 31 March 2020 and 2019 are detailed in note 25.
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.

(ii) Compensation of key management personnel

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

	2020 HK$'000	2019 HK$'000
Short-term employee benefits	**3,228**	5,106
Retirement scheme contribution	**44**	60
	3,272	5,166

37. EVENTS AFTER THE REPORT DATE

In response to the unpredictable circumstances evolving from the global outbreak of the COVID-19 since January 2020, governments around the world introduced strict travel restrictions and compulsory quarantine. This unprecedented challenge significantly affected customer travel demand.

Up to the date of approval of these financial statements, various travel restrictions are still in place to control the spread of the COVID-19. Customers adjusted or cancelled their travel plans. Meanwhile, the Group cancelled and suspended all package tours with departure date after mid-March and up till now. The sales and revenue of the Group declined drastically to a record low level.

On 16 June 2020, the Group entered into a provisional agreement for sale and purchase with an independent third party relating to the sale and purchase of a commercial property held by the Group at a consideration of HK$28,000,000 and subject to the terms and conditions thereof (the "Disposal"). As at 31 March 2020, the commercial property is classified as leasehold land and building under property, plant and equipment with carrying amount of HK$15,100,000 and investment property with carry amount of HK$6,900,000. A formal agreement for the Disposal is expected to be signed by the parties on or before 3 July 2020. The completion of the Disposal is expected to take place on or before 16 September 2020.

38. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 June 2020.

FIVE-YEAR FINANCIAL SUMMARY

	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Total customer sales proceeds	**1,054,711**	1,415,684	1,618,133	1,757,143	1,903,156
Revenue	**287,164**	304,131	325,331	344,169	387,537
Cost of sale	**(122,851)**	(91,502)	(81,315)	(65,909)	(57,596)
Gross profit	**164,313**	212,629	244,016	278,260	329,941
Other income	**13,917**	14,883	18,596	16,227	16,782
Changes in fair value of investment property	**(3,923)**	5,984	5,000	(9,600)	(1,400)
Selling and distribution costs	**(132,661)**	(170,658)	(196,012)	(209,967)	(236,051)
Administrative expenses	**(83,031)**	(75,292)	(72,594)	(71,923)	(72,000)
Share of (loss)/profits of associates	**(1,521)**	(254)	1,351	–	–
(Loss)/gain on disposal of financial assets/ liabilities at fair value through profit or loss	**(293)**	(965)	1,109	(685)	81
Fair value (loss)/gain on financial assets/ liabilities at fair value through profit or loss	**–**	(18)	(84)	(106)	(624)
(Loss)/profit from operations	**(43,199)**	(13,691)	1,382	2,206	36,729
Finance cost	**(1,673)**	(172)	(519)	(515)	(481)
(Loss)/profit before income tax	**(44,872)**	(13,863)	863	1,691	36,248
Income tax expense	**(189)**	219	(626)	(3,225)	(5,210)
(Loss)/profit for the year	**(45,061)**	(13,644)	237	(1,534)	31,038
Other comprehensive income for the year, net of tax	**(309)**	34,563	359	(265)	(164)
Total comprehensive income for the year	**(45,370)**	20,919	596	(1,799)	30,874
ASSETS AND LIABILITIES					
Non-current assets	**117,376**	129,936	90,842	135,606	150,601
Current assets	**81,555**	204,080	266,146	223,904	260,789
TOTAL ASSETS	**198,931**	334,016	356,988	359,510	411,390
Non-current liabilities	**(5,302)**	(56)	(843)	(797)	–
Current liabilities	**(82,598)**	(167,362)	(195,592)	(188,484)	(227,599)
TOTAL LIABILITIES	**(87,900)**	(167,418)	(196,435)	(189,281)	(227,599)
	111,031	166,598	160,553	170,229	183,791

Note:

The consolidated results of the Group for each of the years ended 31 March 2019 and 2020 and the consolidated assets and liabilities of the Group as at 31 March 2019 and 2020 are those set out on pages 40 to 99 of this annual report. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years