

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

TEBS
專業旅運商務
Travel Expert Business Services

尊賞假期
PREMIUM HOLIDAYS

專業旅運® 自由行
Travel Expert 機票 酒店

TMH
度新假期
Tailor Made Holidays

Cruiseexpert

takenmyhand
TRAVEL EXPERT



專業旅運[®]
Travel *Expert*

Annual Report
2017

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CORPORATE INFORMATION



DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Ms. Cheng Yin Wah

AUDITOR

BDO Limited

PRINCIPAL BANKER

Hang Seng Bank Limited

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road, P. O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

COMPANY WEBSITE

www.tegroup.com.hk

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1235

FINANCIAL HIGHLIGHTS



	Notes	2017 HK\$'000	2016 HK\$'000	Year-on-Year change
Profitability				
Total customer sales proceeds		1,757,143	1,903,156	-7.7%
Revenue				
— Service income from sales of travel/wedding related products		269,438	319,698	-15.7%
— Sales of package tours		72,451	65,605	+10.4%
— Rental income from investment property		2,280	2,234	+2.1%
		344,169	387,537	-11.2%
(Loss)/profit attributable to owners of the Company		(688)	31,585	-102.2%
(Loss)/earnings per share — Basic (HK cents)	1	(0.1)	6.1	-101.6%

Financial ratio

Return on equity (%)	2	-0.4%	16.9%
Current ratio (time)	3	1.19	1.15
Gearing ratio (%)	4	15.3%	18.3%

Notes:

- 1 The calculation of the basic (loss)/earnings per share is based on 513,579,000 (2016: 513,579,000) weighted average number of ordinary shares in issue during the year.
- 2 Return on equity is calculated based on the (loss)/profit 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 Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the year.
- 4 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,

The financial year ended 31 March 2017 continued a challenging year for the Group. The Group recorded a loss of HK\$1.5 million for the year under review as compared with the net profit of HK\$31.0 million for the previous year.

One of the major reasons of the loss is due to a revaluation loss of HK\$9.6 million in the Group's investment property caused by the general downward adjustment in Hong Kong retail property market. In addition, the retail market in Hong Kong continued to be weak and thus weakened customers' spending power. Customers were very cautious about travel related spending and tended to purchase travel products with lower prices through online platforms. The increasing fierce competition from online travel agencies ("OTA") and airline and accommodation booking websites ("Booking Websites") caused considerable decrease in revenue and profit margin that significantly impacted traditional travel and tour agencies and so did the Group.

The Group is aware that competition from OTA and Booking Websites is intensified. We also recognize that in the digital age nowadays, the development of information technology is of crucial importance for sustainable business growth. Therefore, the Group has actively taken various initiatives in enhancing IT facilities and system development so as to keep abreast of the latest market trend and development. Previously, we engaged external service providers to undertake such IT initiatives, however, due to various limitations of such companies, for example, insufficient manpower and resources, the output delivered by such service providers was not up to our expectation. In 2014, we committed substantial investment in establishing AppoMax Technology Limited (亞寶邁科技有限公司) ("AppoMax"), an indirect non-wholly owned subsidiary of the Company, to undertake the Group's IT projects and initiatives so that we can ensure that such works are taken forward on the right track. It can also help to develop our own IT team to face the challenges of technological advancements and supporting the Group's long-term sustainable growth. Apart from revamping and building up several websites of the Group, such as Cruise Expert, Travel Expert, Pack2fly and Take My Hand, AppoMax enhanced our sales operating system as well. Currently, AppoMax is working on the development of our new online trading platform which is expected to be launched by the end of the year. We believe that this new trading platform coupled with the Group's extensive branch network and frontline sales team, our competitive advantages will be greatly enhanced so that we can compete with OTA and Booking Websites.

In respond to the changing business environment, the Group invested substantially during the recent years in establishing new business lines, such as Cruise Expert, Premium Holidays, Tailor Made Holidays and Take My Hand. Some of these new business lines are still under development and require the Group's continuous support. Nevertheless, as the performance of these business lines is growing stronger, we expect that the required investment resources input will be reduced gradually.

Furthermore, the Group devoted efforts to improve operational and cost efficiency through streamlining branch network. It is our strategy to maintain an extensive branch network in order to maintain a better contact with and provide personalized services to customers. Branch network is not only serving as a sales channel but also promoting our brand name. We installed TV display walls in all branches so that effective pricing and all kinds of updated product information can be disseminated to branches in an agile, efficient and simple way through central control system. We also installed IP network telephone system and people counting system which enable the Group to have a better management of shop and customer traffic data as well as allowing a greater flexibility in manpower allocation. With the aid of such systems, we are able to have the most updated market information and customer preferences well in hand.

In order to build up customer loyalty, the Group launched a membership program scheme called "JETSO Plus" to further expand our repeated customer base. At present, Travel Expert, Cruise Expert and Tailor Made Holidays have launched the scheme. We are working to roll out the scheme to other business brands of the Group.

CHAIRMAN'S STATEMENT



Looking ahead, by taking advantages of our retail experience over the years, excellent long-term business relationships with suppliers, well established brand name and extensive network combined with the online trading platform to be launched, the Group is confident that we are able to strengthen our capabilities to contend with the severe online competition and obtain a business recovery despite of facing threats from OTA and Booking Websites. In the future, the entry barrier for travel agencies will be higher as the capital and operation costs are much higher than before. We believe that in the long run, it is the survival of the fittest in the market due to the intensified competition in the travel industry.

With our reputable background, we will aggressively tap into e-business after launching of the new online trading platform in order to move forward to the O2O (online to offline) business model. We are able to grasp business opportunities in Hong Kong as well as in Mainland China and support customers in cross-border purchases too. Coupled with our physical stores, the increased sales volume will further enhance economies of scale which will contribute to the future growth of the Group.

We understand that the young generation staff members want jobs that are flexible and interesting. To improve their job satisfaction, the Group is working on the development of a new operation system that simplifying working process so that staff can have a greater degree of interaction with customers. We hope that the system will drive us to expand our business to B2B (business to business) sales model too.

Last but not least, we will continue to put ongoing efforts to drive the business growth of Premium Holidays. The positive responses from customers testified our persistence of maintaining a high standard on selection of destinations, hotels, restaurants, coaches, and etc. instead of emphasizing sales volume. The Group will vigorously promote this brand to further improve its recognition and market awareness. We expect that the business will sustain its business development in the coming few years so that the Group's investment can have a positive return.

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

Ko Wai Ming, Daniel

Chairman and Executive Director

Hong Kong, 23 June 2017



OVERVIEW

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

Excluding the revaluation loss of property and non-controlling interests, the profit for the year attributable to owners of the Company had a decrease of 73.0% to HK\$8.9 million (2016: HK\$33.0 million). Overall, the Group's loss for the year was HK\$1.5 million, representing a decrease of 104.8% from the profit of HK\$31.0 million in the previous last year. Loss per share attributable to owners of the Company for the year was HK0.1 cent, representing a decrease of 101.6% from the earning per share of HK6.1 cents over the previous year. The Board recommends the payment of a final dividend of HK2.0 cents (2016: HK2.7 cents) per ordinary share.

BUSINESS REVIEW

The Group's retail FIT (Free Independent Travellers) business is operated mainly through Travel Expert Limited (專業旅運有限公司) ("Travel Expert"), which is the core focus of the Group. During the year, the performance was not satisfactory and recorded a drop in both customer sales proceeds and margin percentage. The persistent weakened retail market caused more cautious consumer sentiment and adversely affected travel spending. In addition, the keen competition from online travel agencies and booking websites presented a direct threat on the revenue and profit margin. In response to the challenging operating environment, the management continued to streamline its branch network in order to reduce operational costs and improve productivity of this business brand. On the other hand, we adopted flexible marketing strategy and launched different promotion programs to drive sales growth. Also, we improved product offerings to capture more customers of different life styles and preferences. During the year, its website was revamped with an aim to enhance customers' website surfing experience. In May 2017, a membership program "JETSO Plus" was launched to promote customer loyalty and build up membership database.

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

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

The Group's corporate business is operated mainly through Travel Expert Business Services Limited (專業旅運商務有限公司). During the year, its business performance was fairly stable. The performance of this business line was inevitably affected by the continuous tightening of corporate travel policies and reduced business travel of corporate customers. Therefore, this business line reallocated resources to develop the MICE (meeting, incentive, conference and exhibition) businesses for small and medium sized organizations like school tours in summer holiday and incentive trips for insurance agents. The Group has taken appropriate measures to tackle the changing market environment in the corporate travel business and will continue to monitor its business performance.

MANAGEMENT DISCUSSION AND ANALYSIS



The Group's tour operation is conducted by Premium Holidays Limited (尊賞假期有限公司) ("Premium Holidays"). It focuses on operating high-end long haul tours, cruise travel tours and MICE businesses. During the year, we allocated extra resources to increase its purchase with premium airlines and award-winning carriers that offering high standards of services and cabin facilities. It also focused on enhancing its publicity by launching various tours with promotional prices. Comparing to the previous year, its sales volume recorded a considerable increase. We are confident that all our perseverance and efforts will lead to the achievements of its business growth and the establishment of brand name in the near future. Now, it has three retail shops at Tsimshatsui Han Chung Mansion, Causeway Bay Hang Lung Centre and Central Grand Building.

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

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

In addition to the ordinary travel business segment, our investment activities using the Group's surplus funds allocated under the approved investment cap are conducted by Travel Expert Asset Management Limited (專業旅運資產管理有限公司) ("Travel Expert Asset Management"). The performance of this segment recorded a loss due to the volatile financial market in the year. We will continue to closely monitor the market situation and make investment decisions prudently in order to help the Group to better utilize its surplus fund and contributed to its bottom line.

FINANCIAL REVIEW

Selling and Distribution Costs

For the year ended 31 March 2017, selling and distribution costs amounted to HK\$210.0 million, representing a decrease of 11.1% from HK\$236.1 million for the previous year. The selling and distribution costs accounted for 75.5% of the Group's total gross profit, having increased from 71.5% in the last year.

The decrease of selling and distribution cost was mainly due to reduction of frontline staff cost that was contributed by the reduction of frontline headcounts and less sales commission expenses and other staff costs. Also, there was a moderate decrease of the average rental of retail premises. During the year, we streamlined our branch network in order to enhance the operational efficiency. Besides, the Group carried out strict cost control measures and managed to maintain a reasonable selling and distribution costs level. Despite the cost pressure, we will continue to maintain a widespread and effective sales network which is one of our key competitive advantages. We will put continuing efforts in exploring new sales channels as well. As at 31 March 2017, the Group operated a total of 56 retail shops in Hong Kong under the brand names of Travel Expert, Tailor Made Holidays, Premium Holidays, Cruise Expert and Take My Hand.

Administrative Expenses

For the year ended 31 March 2017, administrative expenses amounted to HK\$71.9 million, representing a decrease of 0.1% from HK\$72.0 million for the last year. Administrative expenses accounted for 25.8% of the Group's total gross profit, which increased from 21.8% in the last year.

MANAGEMENT DISCUSSION AND ANALYSIS



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

Finance Cost

Finance cost of the Group for the year was HK\$515,000, which was mainly related to the interest-bearing bank borrowing of mortgage loans for the Group's properties (2016: HK\$481,000).

Liquidity, Financial Resources and Capital Resources

The Group generally finances its liquidity requirements through internally generated resources and will only finance with available banking facilities whenever necessary. The Group's financial position as at 31 March 2017 remained healthy with net assets value of HK\$170.2 million (as at 31 March 2016: HK\$183.8 million). Including the time deposits over three months, the Group had total cash and cash equivalents of HK\$172.5 million as at 31 March 2017 (as at 31 March 2016: HK\$194.4 million). As at 31 March 2017, in addition to an investment property with fair value at HK\$51.0 million (as at 31 March 2016: HK\$60.6 million), the Group held a portfolio of financial assets and liabilities at fair value through profit or loss at around HK\$2.0 million and nil respectively (as at 31 March 2016: HK\$20.3 million and HK\$31,000 respectively).

As at 31 March 2017, the Group's current ratio (current assets divided by current liabilities) was 1.19 times compared with 1.15 times as at 31 March 2016. The gearing ratio (interest-bearing borrowings divided by total equity) was 15.3% as compared with 18.3% as at 31 March 2016. In view of the Group's cash flow status together with the surplus cash position, the Group has adequate financial resources to meet the future payment obligation and support its future business development plan.

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 March 2017.

Capital Commitments

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

Pledge of Assets

As at 31 March 2017, the Group had outstanding bank loans amounting in total of HK\$26.0 million (as at 31 March 2016: HK\$33.6 million) which were repayable on demand and secured by the Group's land and building and investment property.

Foreign Exchange Risks and Treasury Policies

The Group has foreign currency exposures that mainly arise from the balance of assets and liabilities in currencies other than in Hong Kong dollar, the Group's functional currency. The Group's policy requires the management to monitor the Group's foreign exchange exposure by closely monitoring the movement of foreign currency rates. The management may purchase foreign currency at spot rate, when and where appropriate for the purpose of meeting the Group's future payment obligation in foreign currency. With the setup of Travel Expert Asset Management together with the extension of investment scope, the Group may use more financial tools such as foreign exchange forward contracts and currency futures etc. to manage the foreign exchange risks. For the year ended 31 March 2017, a net foreign exchange gain of approximately HK\$762,000 was recorded (2016: exchange gain of HK\$255,000).



Human Resources and Employee's Remuneration

As at 31 March 2017, the Group had a total workforce of 588 (as at 31 March 2016: 671), of which about 67.4% were frontline staff. Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. Other benefits include contributions to mandatory provident fund and medical insurance coverage. In addition, the Group has adopted a Share Option Scheme to recognize the contributions of our staff and to provide them with incentives to stay with the Group. The remuneration policy will be reviewed by the Board from time to time. Emoluments of Directors are determined by the Remuneration Committee after considering the Group's operating results, individual performance and comparing with market conditions.

Event after the Reporting Period

There was no important event affecting the Company and its subsidiaries which has occurred since the year ended 31 March 2017.

OUTLOOK

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

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

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

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

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

DIRECTORS' BIOGRAPHIES



EXECUTIVE DIRECTORS

Mr. Ko Wai Ming, Daniel, aged 57, became the Chairman and an Executive Director of the Company on 6 September 2011 and 30 September 2010 respectively. Mr. Ko has over 15 years of experience in the travel industry. He is primarily responsible for the strategic business direction and major decision making of our 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. In 1991, Mr. Ko founded a real estate agency. 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 58, 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 31 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.

Mr. Kam Tze Ming, Alfred, aged 57, joined the Group as Chief Operating Officer in May 2010. He became an Executive Director of the Company on 30 September 2010. Mr. Kam is mainly responsible for overseeing the Group's information technology and e-business development as well as related supporting departments. Mr. Kam holds a degree of Bachelor of Arts (Honours) in Computing Studies from Hong Kong Polytechnic University and a degree of Master of Business Administration from Heriot-Watt University, Edinburgh, UK. Mr. Kam worked for Duty Free Shoppers Hong Kong Limited (now known as DFS Hong Kong Limited) for 10 years in various capacities including Merchandising Planning and Control Manager, with his last position being Information Technology Director. Before joining the Group, Mr. Kam was Head of Information Technology of Maxim's Caterers Limited. He has more than 25 years of experience in the information technology and retail industries.

Mr. Chan Wan Fung, aged 48, joined the Group as Chief Financial Officer in May 2011. He became an Executive Director of the Company on 1 April 2012. Mr. Chan is responsible for overseeing the Group's financial operations, corporate governance and human resources functions. Mr. Chan is a qualified certified public accountant with more than 25 years of finance and accounting working experience. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan graduated from The Chinese University of Hong Kong with a degree of Bachelor of Business Administration and obtained a degree of Master of Business Administration from University of Birmingham, U.K. Mr. Chan has served various senior management positions with multi-national companies. Immediately prior to joining our Group, he was the Finance Director, Asia Pacific Region of Accuray Asia Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mak King Sau, aged 43, 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 15 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. Mr. Mak is also 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.

DIRECTORS' BIOGRAPHIES



Mr. Szeto Chi Man, aged 60, 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 over 14 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 63, 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 31 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 REPORT



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. During the year ended 31 March 2017, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code (the “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 (the “Model Code”) as set out in Appendix 10 of the Listing Rules 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. The Board currently consists of seven members, including four 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*)
Mr. Chan Wan Fung (*Chief Financial Officer*)

Independent Non-executive Directors

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

The Company has received annual confirmation of independence from each of INEDs and considers them to be independent. 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 2017, 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 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.

CORPORATE GOVERNANCE REPORT



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 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 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.

CORPORATE GOVERNANCE REPORT



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

Name of Directors	Type of trainings		
	A	B	C
Executive Directors:			
Mr. Ko Wai Ming, Daniel (<i>Chairman</i>)	–	✓	✓
Ms. Cheng Hang Fan (<i>Chief Executive Officer</i>)	–	✓	✓
Mr. Kam Tze Ming, Alfred (<i>Chief Operating Officer</i>)	✓	✓	✓
Mr. Chan Wan Fung (<i>Chief Financial Officer</i>)	✓	✓	✓
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:

Name of Directors	Number of meetings attended/held			
	Board	Nomination Committee	Remuneration Committee	Audit Committee
Executive Directors:				
Mr. Ko Wai Ming, Daniel (<i>Chairman</i>)	4/4	2/2	–	–
Ms. Cheng Hang Fan (<i>Chief Executive Officer</i>)	4/4	–	2/2	–
Mr. Kam Tze Ming, Alfred (<i>Chief Operating Officer</i>)	4/4	–	–	–
Mr. Chan Wan Fung (<i>Chief Financial Officer</i>)	4/4	–	–	–
Independent Non-executive Directors:				
Mr. Mak King Sau	4/4	2/2	2/2	2/2
Mr. Szeto Chi Man	4/4	2/2	2/2	2/2
Mr. Yung Ha Kuk, Victor	4/4	2/2	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 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 Independent Non-executive Directors; 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 the board diversity policy in August 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 selection criteria, having due regard for the benefits of diversity on the Board. In selecting candidates, the Nomination Committee will consider a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional, experience, skills, knowledge and length of service. The Company will also take into account factors based on its own business model and specific needs from time to time.

At present, the Nomination Committee has not set any measurable objectives to implement the policy. However, it will consider and review the board diversity and set any measurable objectives from time to time.

The Nomination Committee will monitor the implementation of the policy and review the policy, as appropriate, to ensure its effectiveness.

During the year, the Nomination Committee reviewed and recommended the retirement and re-election of Directors for the 2016 annual general meeting and reviewed the structure, size and composition of the Board and considered that the current composition of the Board was appropriate to the Company and no change to the Board was proposed.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 20 April 2011 with written terms of reference in line with the provisions of the 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.

CORPORATE GOVERNANCE REPORT



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 the bonus payment to Executive Directors and recommended the remuneration proposal for Directors for the financial year of 2017–2018 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 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 reviewed and recommended the unaudited interim results and the audited consolidated annual results of the Group for the Board's approval; reviewed the Report on Internal Control Review as prepared by an independent internal control consultant; reviewed the Group's Risk Register and Risk Management Report.

CORPORATE GOVERNANCE 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 77.

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	620
Non-audit services	160
Total	780

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 back office Product Management operations including hotel reservation and booking process, ticketing process, block seats arrangement and selling process, other travel products selling process, close internal booking process and loss booking handling. The report on internal control review 2016/17 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.

CORPORATE GOVERNANCE REPORT



The Company has adopted a Risk Management Policy (the "RM Policy") on 31 March 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 and they have no doubt about the Company's ability to continue as a going concern.

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.

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 2016 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 2016 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 22, 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 9th Floor, Kowloon Plaza, No.485 Castle Peak Road, 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.

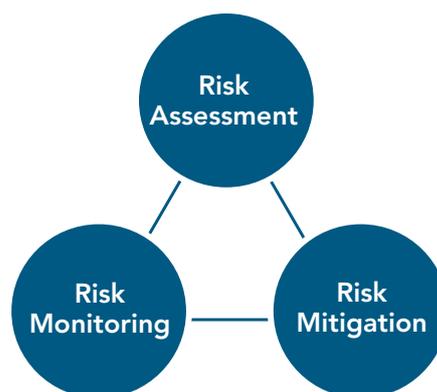
One of the challenges in the risk management process (the “RM Process”) is to ensure that all major risks are clearly identified. To facilitate this process, the Group firstly classifies all the relevant risks by four major categories, i.e. strategic risks, financial risks, compliance risks and operational 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.

RISK MANAGEMENT REPORT



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”) 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.

RISK MANAGEMENT REPORT



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.

RISK MANAGEMENT REPORT



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") and Budget Airlines

Competition from OTA and budget airlines 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. In order to enhance our competitive edge by offering a wide variety of travel products and all-round customer services, we implemented our goal of business diversification from the FIT (free independent travellers) business to corporate travel, cruise holidays, high-end guided tours and overseas weddings. We actively cooperate with different tourism boards to promote special products which are exclusively provided for the sale at physical stores. We launched membership program to enhance the customer loyalty. 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. Last but not least, the Group has allocated resources to develop our own online trading platform to participate in the OTA market.

Increasing number of competitors in the wedding business

Recently the number of competitors in the market of wedding business is increasing a lot due to relatively low entry barrier and higher popularity of wedding planning services. The keen competition business environment narrowed down the profit margin. Besides, the poor services quality and inferior products provided by some market players weakened customers' confidence about wedding companies that prolonged customers' decision on concluding deals.

To differentiate ourselves from other competitors, we launched promotional activities to enhance the market awareness and brand name. We enhanced service and product offerings as well as provided added value services, such as MC in wedding ceremony, to build customer confidence and word of mouth. Furthermore, we strive to gain opportunities to cooperate with new suppliers, such as overseas bridal house and chapel, so as to enhance our competitive edge.

RISK MANAGEMENT REPORT



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

High Frontline Staff Turnover Rate

High staff turnover rate in the frontline position is a very common phenomenon in Hong Kong retail industry and the Group is not an exception. We are facing increased competition for skilled frontline staff. The high frontline staff turnover adversely affects the service standard and the Group's brand image. When a shop is operated by insufficient experienced frontline staff, it will affect the business and result in a loss of customers.

RISK MANAGEMENT REPORT



With a view to maintain our competitiveness in attracting and retaining employees, the Group has a clear frontline career development path. To enhance job satisfaction, we encourage staff to participate in different internal projects with job duties diversification. Comprehensive trainings and supervisory skill trainings are provided to different levels of staff. Regular reviews of employee benefit and remuneration packages are conducted. During the year, we increased the employees' annual leave by one to two days. In order to retain the outstanding frontline staff, we also enhance our commission plan so that frontline employees with good performance are able to achieve higher commission rate. Besides, enhancing operation system and simplifying workflow and process can assist the frontline staff to handle their daily operations easily. To ensure an effective two-way communication and establishing close working relationship with frontline staff, the management holds meetings with District Managers and Shop Managers on regular basis.

Difficulties in Recruiting Frontline Staff

In view of the low unemployment rate in Hong Kong and the shortage of experienced frontline staff, we are facing difficulties in recruiting frontline staff. The lack of appropriate successors for experienced frontline staff would affect the operation and business adversely.

We introduced "Sign On Bonus Scheme" to attract new talents as well as referral bonus to encourage staff to refer appropriate candidates to join the Group. We also put efforts to simplify the workflow and process to enable frontline staff to take up the job duties more easily. To increase their commission income, we increased the product variety, for example, Premium Holidays tour products, cruise products, long haul FIT packages and etc. for frontline's selling.

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.

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.

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.

Shareholders/Investors

In 2012, the Group has published its Shareholders Communication Policy (the “Policy”) in order to further 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.

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 i.e. www.texpert.com, www.premiumholidays.com, www.tmhkhk.com, www.cruiseexpert.com.hk, www.tebsl.com, www.takemyhand.com.hk as well as EDM (electronic direct mailing).

Employees

The Group has around 588 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. As the Group continues its expansion, opportunities are always available for hardworking and outstanding employees.

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.

Government

The principal activities of the Group are the provision of travel and travel/wedding related products and services, 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.

ENVIRONMENTAL 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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 conference and e-training modules have been adopted to minimize the cost of transportation and paper usage to reduce carbon emission.

Use of Resources

The Group has also 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.

Paper

- Using E-fax to minimise 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 relocation projects and travel exhibitions to extend the lifecycle of the packing materials
- Reducing waste at the first place by using various eco-friendly solutions, e.g. using FSC (The Forest Stewardship Council) certified paper for printing business card, envelope, letterhead and etc
- Using recycled paper and envelopes and double-sided printing
- Providing hand dryers in toilets to save toilet paper
- Encouraging customers to use e-tickets rather than paper form in view of the popularity of e-culture

Electricity

- Replacing traditional light bulbs with LED bulbs and tube lights to save electricity consumption
- 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

Water

- Posting notices at common areas of the office reminding staff members to reduce water consumption and the importance of water saving

Computer

- Donated 54 computers and 11 monitors to Vannex International Limited, which re-forming and rebuilding the waste electronic equipment and then donating to people in need as appropriate

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Stationery and Furniture

- Reusing stationery, furniture and equipment among offices and branches instead of buying new one or disposing of such materials

Waste

- Encouraging recycling through installation of plastic, paper and aluminum recycling boxes at the headquarters since 2011
- Working with Super Panda Asia or venue provider since 2014 to collect food waste after Annual Dinner

Overview of Resources Consumption

During the year, with the support of pursuing green practices of the entire Group, we achieved a decrease of 15.1%, 0.4% and 10.7% in consumption of water, electricity and paper respectively. Below is an overview of resources consumption:

Resources	Unit	2016/17	2015/16	Variance
Water	m ³	509.2	599.5	↓ 15.1%
Electricity	kWhs	311,067	312,371	↓ 0.4%
Paper	tons	23.3	26.1	↓ 10.7%

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 tube lights and LED bulbs in new replacement; 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 Since 2014; installed three waste separation bins in the headquarters.

Furthermore, waste paper was sent to shredding company for paper recycling regularly. During the year, the shredded paper was recycled and that reduced 7,137.6 kilograms greenhouse gas or planting 182.7 trees seedling growth for 10 years.

SOCIAL

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.

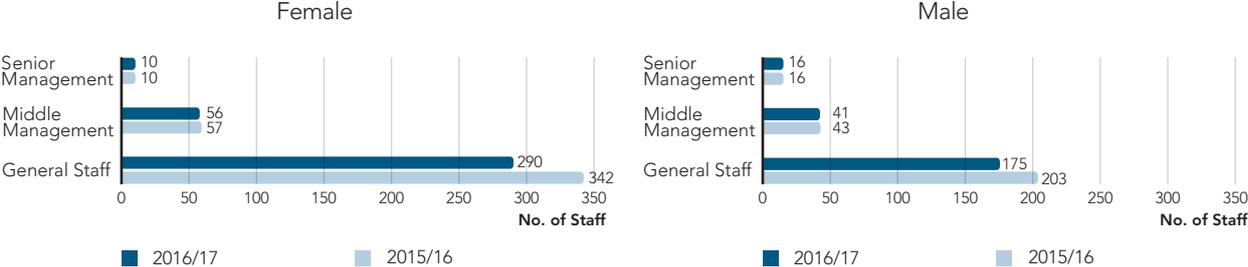
A formal induction together with a tour of the workplace is provided to all employees on the first day of employment. This aims to welcome the new employees and give them a better understanding of the Group. A brief of employee handbook is to ensure new employees are aware of relevant policies and code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

As at 31 March 2017, the Group had a total of 588 full time employees, a decrease of 12.4% from 671 of the last year. This drop was mainly caused by the streamline of branch network which closely aligned with the business strategy of enhancing branch efficiency. Breakdowns of the current employees by position and gender, age and years of service are set forth below respectively:

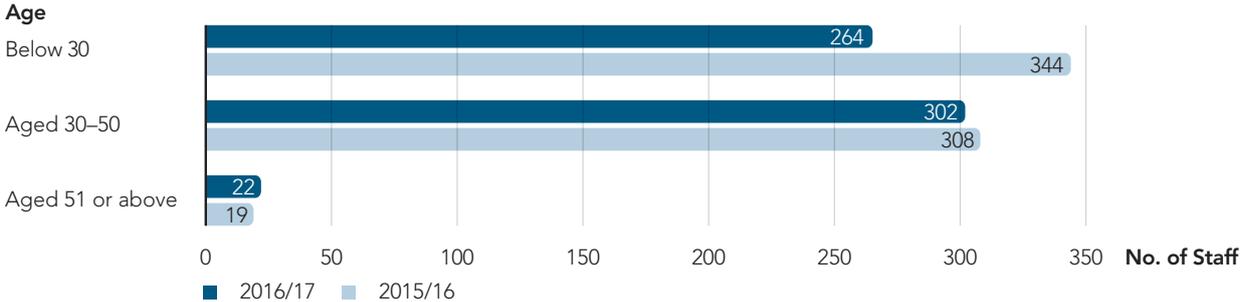
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



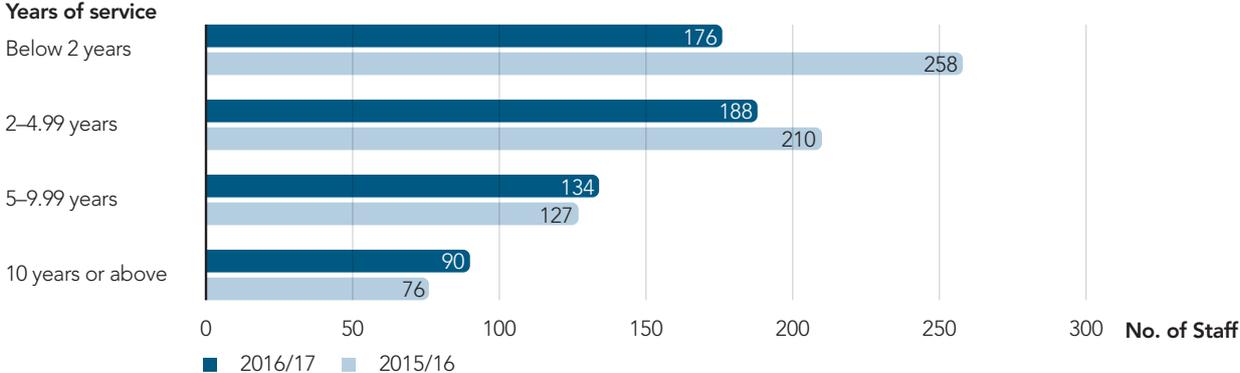
Staff Distribution by Position and Gender



Staff Distribution by Age



Staff Distribution by Years of Service



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Like other retail companies in Hong Kong, we are experiencing high turnover rate in general frontline positions and young workforce. Because of the Group's strategy of enhancing branch efficiency and cost control in the year, the total number of employees was decreased by 12.4%. Such decrease was mainly contributed by the drop of the staff aged below 30 who mostly were the junior frontline staff. On the other hand, the turnover rate for the management team was comparatively low which was reflected by the steady number of middle and senior management employees.

The Group strives to provide a work environment with equal opportunities regardless of gender and age. As at 31 March 2017, the Group's male to female employee maintained at nearly 4:6. The Group had also recruited from a diverse age group. Over 51.4% of our workforce were fell in the age group of 30-50, while 44.9% and 3.7% were respectively in the age groups of below 30 and 51 or above.

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:

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

Insurance

- Maintaining various insurance policies for employees' compensation and liability

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

Fire Drill

- Conducting fire drill once a year in the headquarters and demonstrations of the use of fire extinguisher so as to enhance the fire safety awareness

Wellness Activities

- Arranging wellness activities regularly for employees, such as masseurs to provide massage service over the neck and shoulders to the back office staff to ease their muscle fatigue

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Work Related Injury

During the year, there were five cases of work related injury occurred with an aggregate loss of 118 days. Out of these five cases, four cases were of minor in nature in terms of the lost day and seriousness. Two of them were hurt by the gate of the shop; two of them were hurt by the cabinet while one sprained the ankle on the way to branch. Although all of the cases were not so serious in nature, the management was aware of the increase of the number of cases in the year and seriously highlighted the room for improvement. We reviewed the working condition and reminded all staff of promoting safe practice and alerting the staff of potential risk to raise their awareness. In the future, we will further reinforce safety training and practices with an aim to lower the number of accidents.

Overview of Work injury

	2016/17	2015/16	Variance
No. of Work Injury Case	5	1	↑400%
No. of Lost Days	118	97.5	↑21%

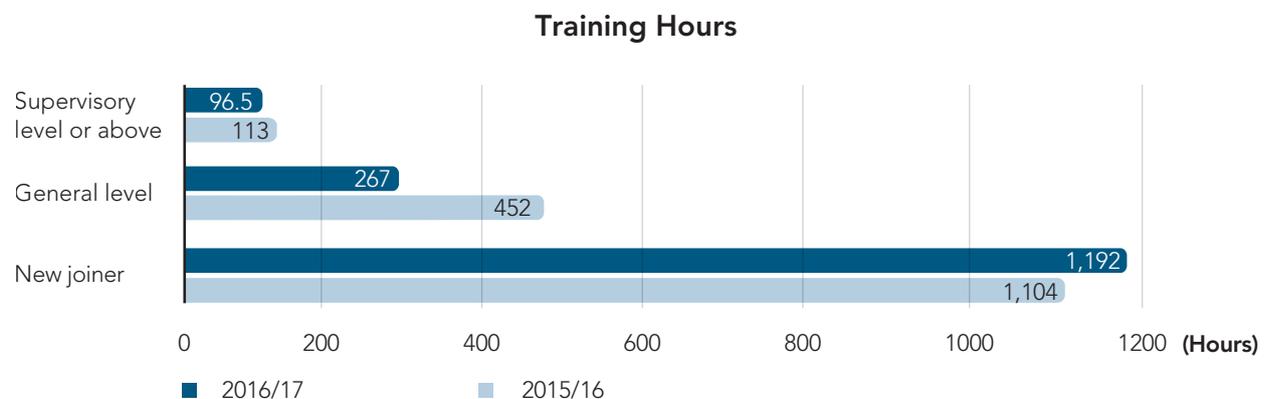
Development and Training

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 and Training Department is responsible for developing own training programmes. These trainings are delivered in different forms including internal and external 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 to enable them to gain the core techniques before serving the customers. Tailor-made programmes help employees meet the ever changing needs of the marketplace are held regularly. 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 by our training department during the year:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Due to the decrease of the number of frontline manpower as a result of streamlining branch network, the number of training class provided to general level decrease accordingly. Although the number of new recruitment decreased, we are aware the importance of providing a well comprehensive training for new joiner, we reformed the new joiner training scale to equip the new joiner with enough selling skills and knowledge.

We understand that the hard work, 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's annual dinner to appreciate their loyalty and unfailing contributions. In the 2016 annual dinner, a total of 61 loyal staff members received the honour.

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 enhanced the sense of belonging of staff members.

We believed 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 tour arranged for outstanding performance staff to motivate and recognize the staff that delivered performance beyond what is expected of them.



Award to Branch



Award to Branch



Incentive Tour to Korea



Incentive Tour to Korea

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Furthermore, the following annual gatherings facilitate as good communication and social platforms between the management and staff members:

Annual Dinner

- Annual Dinner is one of the most prestigious events 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.

Chinese New Year Gathering (Spring Dinner)

- Chinese New Year Gathering (Spring Dinner) provides a chance to appreciate the staff members at supervisory grade or above for the effort during the year.

Frontline Sales Team Meeting

- Frontline Sales Team Meeting facilitates an effective two-way communication and foster an open and positive working environment every half year. These regular gatherings enable us to align the management and all the frontline staff members in the same pace and direction so as to support the Group's development in the coming year.



2016 Annual Dinner



2016 Annual Dinner



2016 Annual Dinner — Top Sales Award



2016 Annual Dinner — Best Costume Award

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



2016 Annual Dinner — Long Service Award



2016 Spring Dinner

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:

2016 August — MAKE UP CLASS

Making our colleagues enjoy a relaxing Friday afternoon and to know more delighting things about lifestyles.

2016 December — MASSAGE SERVICE

Provide to the back office staff to ease their muscle fatigue over the neck and shoulders and relax during the working hours.

2016 December — CHRISTMAS LUNCH PARTY

It gave a cordial hospitality for over hundred staff.



Make Up Class



2016 Christmas Party

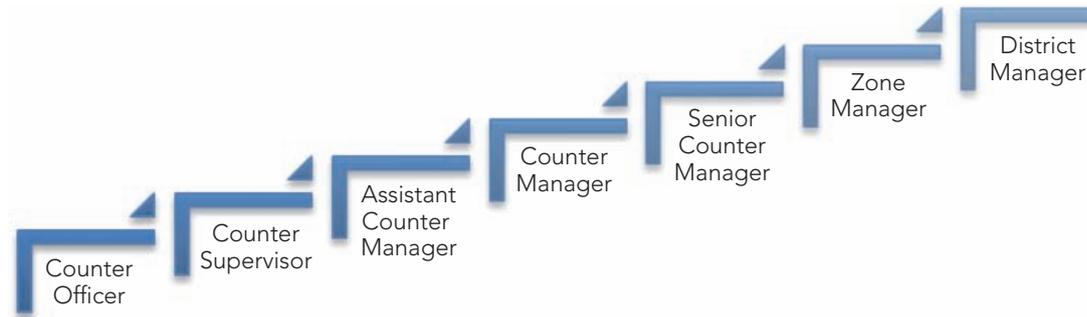
We consider providing practical work experience a vital step to support talent development — offering them a platform to gain meaningful work experience in a field of interest and gain awareness of employers' expectation. During the year, nine students from different universities and colleges worked for us in different departments.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

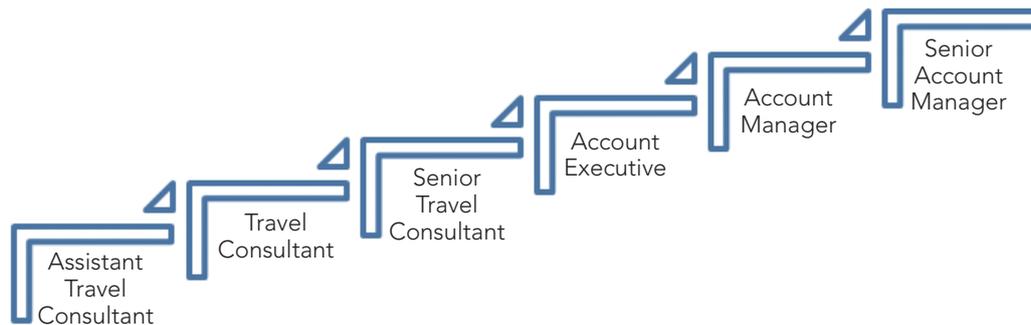


Talents with expertise and job related knowledge are our assets. To encourage career advancement of staff, the Group provides a clear career path to frontline employees:

Managerial Level



Salesperson



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.

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.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Product/Service

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, misleading, false 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.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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.

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:

Smile Foundation

- 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.

Work Experience Program

- During the year, we are invited by “Child Development Initiative Alliance” (CDIA) to provide working experience to secondary school students. Through the program of “READY” (Resources for Employment and Academics of Development of Youths) organized by CDIA, we provided a 5-day program to two students for working in different departments with a view to encourage them to explore their vision and strengthen their capabilities before starting their careers. The main purpose of the program is to provide the students with a general understanding about travel industry and the real working experience.

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 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 24 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2017 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 49 to 103.

No interim dividend (six months ended 30 September 2015: HK1.5 cents per ordinary share, amounting to approximately HK\$7.7 million) was paid to shareholders during the year.

The Board has proposed a final dividend of HK2.0 cents (2016: HK2.7 cents) per ordinary share for the year ended 31 March 2017, representing a payout of approximately HK\$10.3 million (2016: HK\$13.9 million). Subject to shareholders' approval at the forthcoming annual general meeting (the "AGM") to be held on 16 August 2017, the proposed final dividend will be paid on or around 8 September 2017.

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 104.

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

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

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

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.

REPORT OF THE DIRECTORS



INVESTMENT PROPERTY

Details of movements in and particulars of the investment property 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 2017 are set out in note 23 to the consolidated financial statements.

CHARITABLE DONATION

The Group made charitable donation during the year totaling HK\$20,000 (2016: HK\$42,500).

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 25 and 27 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 26 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2017, 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\$117.9 million, of which HK\$10.3 million has been proposed as a final dividend for the year after the reporting period. The amount of HK\$117.9 million includes the Company's share premium account of HK\$57.8 million in aggregate at 31 March 2017, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

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 41.86% and 25.13% 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.

REPORT OF THE DIRECTORS



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*)
Mr. Chan Wan Fung (*Chief Financial Officer*)

Independent Non-executive Directors

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

Pursuant to Articles 84(1) and 84(2), Ms. Cheng Hang Fan, Mr. Kam Tze Ming, Alfred 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. Based on such confirmations, the Company considers that each of such Directors to be independent from the Group.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Company are set out on pages 10 to 11 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, which may be 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 33 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 2017.

REPORT OF THE DIRECTORS



DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 March 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company 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 positions in ordinary shares of the Company

Name of Director	Number of shares of HK\$0.01 each (the "Shares") in the Company				Approximate percentage of shareholding of the issued share capital
	Personal interests	Family interests	Corporate interests	Total interests	
Mr. Ko Wai Ming, Daniel ("Mr. Ko")	3,725,000	7,925,000 (Note a)	356,715,000 (Note b)	368,365,000	71.73%
Ms. Cheng Hang Fan ("Mrs. Ko")	7,925,000	3,725,000 (Note a)	356,715,000 (Note b)	368,365,000	71.73%
Mr. Chan Wan Fung ("Mr. Chan")	800,000	–	–	800,000	0.16%

Notes:

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

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

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

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

Save as disclosed above, as at 31 March 2017, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of SFO) which are required, pursuant to Section 352 of the SFO, to be entered in the registers referred to therein or are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

REPORT OF THE DIRECTORS



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").

Details of the movement of the share options during the year are as follows:

Grantee	Exercisable period	Number of options					Balance at 31 March 2017	Exercise price per share (HK\$)
		Balance at 1 April 2016	Granted during the year	Exercised during the year	Forfeited during the year	Lapsed during the year		
An employee of the Group	1 January 2015 to 31 December 2016	1,000,000	-	-	-	1,000,000	-	1.002
	1 January 2016 to 31 December 2016	1,000,000	-	-	-	1,000,000	-	1.002
		2,000,000	-	-	-	2,000,000	-	

REPORT OF THE DIRECTORS



During the year ended 31 March 2017, an aggregate of 2,000,000 options were lapsed as the option holder ceased to be an eligible person under the Share Option Scheme. No options under the Share Option Scheme were granted or exercised during the year and there were no outstanding options at 31 March 2017 (2016: 2,000,000 options).

Save as disclosed above, 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 POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2017, shareholders (not being Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or otherwise notified to the Company are set out below:

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

Notes:

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

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 31 March 2017, had an interest or a short position in the Shares or underlying Shares of the Company which are recorded in the registers required to be kept under Section 336 of the SFO or notified to the company pursuant to the SFO.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group entered into certain related party transactions, details of which are set out in note 33 to the consolidated financial statements. Notwithstanding that these 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 2017, the Group engaged in certain investment activities. All the funds used in such investment activities were the Group's surplus funds allocated under the investment cap.

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

REPORT OF THE DIRECTORS



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 2017 (audited) HK\$'000	31 March 2016 (audited) HK\$'000
Equity securities listed in Hong Kong	2,004	951
Debt securities	–	19,326
Short Hang Seng Index	3	(31)
Total Value	2,007	20,246

CHANGE IN INFORMATION OF DIRECTORS

There is no change in the information of the Directors, save as otherwise set out in this report, required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published interim report.

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.

AUDITOR

The consolidated financial statements of the Group for the years ended 31 March 2016 and 2017 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, 23 June 2017

INDEPENDENT AUDITOR'S REPORT



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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 49 to 103, which comprise the consolidated statement of financial position as at 31 March 2017, 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 a summary of significant accounting policies and other explanatory information.

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 2017, 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.

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.

Revenue recognition

Refer to notes 2.9 and 4(v) to the consolidated financial statements

During the year, the Group recorded revenue derived from provision of services relating to the sales of air tickets, hotel accommodation and other travel/wedding related products and provision of package tours of approximately HK\$341,889,000.

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

INDEPENDENT AUDITOR'S REPORT



We have identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and because it involves a highly customised information technology systems to record the transactions and certain manual procedures to determine the appropriate revenue recognition point, all of which give rise to 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.

Valuation of investment property

Refer to notes 2.7 and 4(vi) to the consolidated financial statements

Management has estimated the fair value of the Group's investment property to be HK\$51,000,000 as at 31 March 2017 with a fair value loss of HK\$9,600,000 for the year ended 31 March 2017 recorded in the consolidated statement of comprehensive income.

The fair value of the investment property 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 rate 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.

INDEPENDENT AUDITOR'S REPORT



DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of 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 HKSA's 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 HKSA's, 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.

INDEPENDENT AUDITOR'S REPORT



- 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, 23 June 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017



	Notes	2017 HK\$'000	2016 HK\$'000
Revenue	5	344,169	387,537
Cost of sale		(65,909)	(57,596)
Gross profit		278,260	329,941
Other income and gains	5	16,227	16,782
Changes in fair value of investment property	13	(9,600)	(1,400)
Selling and distribution costs		(209,967)	(236,051)
Administrative expenses		(71,923)	(72,000)
(Loss)/gain on disposal of financial assets/liabilities at fair value through profit or loss		(685)	81
Fair value loss on financial assets/liabilities at fair value through profit or loss		(106)	(624)
Profit from operations	6	2,206	36,729
Finance cost	7	(515)	(481)
Profit before income tax		1,691	36,248
Income tax expense	8	(3,225)	(5,210)
(Loss)/profit for the year		(1,534)	31,038
Other comprehensive income, that may be reclassified subsequently to profit or loss			
Exchange difference on translation of financial statements of overseas subsidiaries		(265)	(164)
Other comprehensive income for the year, net of tax		(265)	(164)
Total comprehensive income for the year		(1,799)	30,874
(Loss)/profit for the year attributable to:			
Owners of the Company		(688)	31,585
Non-controlling interests		(846)	(547)
		(1,534)	31,038
Total comprehensive income for the year attributable to:			
Owners of the Company		(953)	31,421
Non-controlling interests		(846)	(547)
		(1,799)	30,874
(Loss)/earnings per share attributable to owners of the Company	10		
— Basic		HK(0.1) cents	HK 6.1 cents
— Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017



	Notes	2017 HK\$'000	2016 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	76,776	82,825
Investment property	13	51,000	60,600
Goodwill	14	445	445
Deposits	17	7,385	6,731
		135,606	150,601
Current assets			
Inventories	15	2,336	1,978
Trade receivables	16	7,289	9,910
Prepayments, deposits and other receivables	17	33,284	30,612
Financial assets at fair value through profit or loss	18	2,007	20,277
Prepaid tax		4,112	3,325
Pledged deposits	20	2,367	307
Time deposits over three months	19	130,195	80,168
Cash and cash equivalents	19	42,314	114,212
		223,904	260,789
Current liabilities			
Trade payables	21	110,835	140,021
Accrued charges, deposits received and other payables	22	50,904	53,347
Bank borrowings	23	25,982	33,573
Financial liabilities at fair value through profit or loss	18	–	31
Provision for tax		763	627
		188,484	227,599
Net current assets		35,420	33,190
Total assets less current liabilities		171,026	183,791
Non-current liabilities			
Deferred tax liabilities	8	797	–
		797	–
Net assets		170,229	183,791
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	5,136	5,136
Reserves	26	166,630	181,450
		171,766	186,586
Non-controlling interests		(1,537)	(2,795)
Total equity		170,229	183,791

Cheng Hang Fan
Director

Chan Wan Fung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017



	Share capital HK\$'000	Share premium HK\$'000 <i>(note 26(a))</i>	Share option reserve HK\$'000	Merger reserve HK\$'000 <i>(note 26(a))</i>	Foreign exchange reserve HK \$'000	Other reserve HK \$'000 <i>(note 26(a))</i>	Proposed final dividend HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2015	5,136	57,779	352	(9,000)	(40)	1,304	17,462	107,197	180,190	(2,482)	177,708
Profit/(loss) for the year	-	-	-	-	-	-	-	31,585	31,585	(547)	31,038
Other comprehensive income for the year:											
Exchange alignment	-	-	-	-	(164)	-	-	-	(164)	-	(164)
Total comprehensive income for the year	-	-	-	-	(164)	-	-	31,585	31,421	(547)	30,874
Recognition of share-based payments	-	-	141	-	-	-	-	-	141	-	141
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	36	36
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	198	198
Final dividend paid <i>(note 9)</i>	-	-	-	-	-	-	(17,462)	-	(17,462)	-	(17,462)
Interim dividend proposed and declared <i>(note 9)</i>	-	-	-	-	-	-	-	(7,704)	(7,704)	-	(7,704)
Final dividend proposed <i>(note 9)</i>	-	-	-	-	-	-	13,867	(13,867)	-	-	-
At 31 March 2016	5,136	57,779	493	(9,000)	(204)	1,304	13,867	117,211	186,586	(2,795)	183,791
At 1 April 2016	5,136	57,779	493	(9,000)	(204)	1,304	13,867	117,211	186,586	(2,795)	183,791
Loss for the year	-	-	-	-	-	-	-	(688)	(688)	(846)	(1,534)
Other comprehensive income for the year:											
Exchange alignment	-	-	-	-	(265)	-	-	-	(265)	-	(265)
Total comprehensive income for the year	-	-	-	-	(265)	-	-	(688)	(953)	(846)	(1,799)
Lapse of share-based payments	-	-	(493)	-	-	-	-	493	-	-	-
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	2,104	2,104
Final dividend paid <i>(note 9)</i>	-	-	-	-	-	-	(13,867)	-	(13,867)	-	(13,867)
Final dividend proposed <i>(note 9)</i>	-	-	-	-	-	-	10,272	(10,272)	-	-	-
At 31 March 2017	5,136	57,779	-	(9,000)	(469)	1,304	10,272	106,744	171,766	(1,537)	170,229

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017



	Notes	2017 HK\$'000	2016 HK\$'000
Cash flows from operating activities			
Profit before income tax		1,691	36,248
Adjustments for:			
Interest income	5	(1,196)	(1,587)
Depreciation of property, plant and equipment	6	10,361	9,890
Loss on disposal of property, plant and equipment	6	330	168
Written off of property, plant and equipment	6	–	474
Interest expenses	7	515	481
Share-based payments expenses	27	–	141
Loss/(gain) on disposal of financial assets/liabilities at fair value through profit or loss		685	(81)
Fair value loss on financial assets/liabilities at fair value through profit or loss		106	624
Bad debts written off	6	–	50
Changes in fair value of investment property	13	9,600	1,400
Operating profit before working capital changes		22,092	47,808
(Increase)/decrease in inventories		(358)	2,017
Decrease/(increase) in trade receivables		2,621	(1,541)
(Increase)/decrease in prepayments, deposits and other receivables		(1,313)	3,776
Decrease in trade payables		(29,186)	(18,864)
(Decrease)/increase in accrued charges, deposits received and other payables		(2,443)	2,348
Decrease in prepayment for share purchase application		–	38,080
Net proceed of the disposal of financial assets/liabilities at fair value through profit or loss		431,782	53,515
Purchase of financial assets/liabilities at fair value through profit or loss		(414,336)	(57,460)
Cash generated from operations		8,859	69,679
Income tax paid		(3,273)	(8,846)
Income tax refund		194	2
<i>Net cash generated from operating activities</i>		5,780	60,835
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,642)	(38,241)
Net cash outflow from acquisition of a subsidiary	28	–	(345)
Dividend income		2	83
(Increase)/decrease in pledged deposits		(2,060)	2,144
(Increase)/decrease in time deposits with an original maturity of more than three months		(50,027)	65,078
Interest received		1,196	1,587
<i>Net cash (used in)/generated from investing activities</i>		(55,531)	30,306

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017



	Notes	2017 HK\$'000	2016 HK\$'000
Cash flows from financing activities			
Dividends paid	9	(13,867)	(25,166)
Capital injection from non-controlling interests		–	198
New bank borrowings		6,000	14,975
Repayments of bank and other borrowings		(13,591)	(37,386)
Interest paid		(515)	(481)
<i>Net cash used in financing activities</i>		(21,973)	(47,860)
Net (decrease)/increase in cash and cash equivalents		(71,724)	43,281
Cash and cash equivalents at beginning of year		114,212	71,040
Effect of foreign exchange rate changes		(174)	(109)
Cash and cash equivalents at end of year		42,314	114,212
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		42,314	94,079
Short-term deposits in banks		–	20,133
		42,314	114,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 24 to the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements on pages 49 to 103 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements also include the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules").

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 property 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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

2.2 Basis of consolidation *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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

2.4 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 2.8) 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.

2.5 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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

2.5 Foreign currency translation *(Continued)*

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.

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.

2.6 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%
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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

2.7 Investment property

Investment property is property 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 property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

2.8 Impairment of non-financial assets

Goodwill, property, plant and equipment and interests in subsidiaries 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.

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.

2.9 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- (i) Service income is recognised upon services in respect of the sales of air tickets, hotel accommodation and other travel/wedding related products are provided;
- (ii) Service income from provision of package tours is recognised when the services are rendered;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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

2.9 Revenue recognition *(Continued)*

- (iii) Rental income from investment property is recognised on a straight-line basis over the periods of the respective tenancy;
- (iv) Incentive income is recognised when the conditions specified in the relevant contracts are fulfilled;
- (v) Interest income is recognised on a time-proportion basis using the effective interest method; and
- (vi) Dividend is recognised when the right to receive payment is established.

2.10 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.

2.11 Financial assets

The Group's accounting policies for financial assets are set out below.

Classification of financial assets

Financial assets are classified into the following categories: (i) loans and receivables; and (ii) financial assets at fair value through profit or loss.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at the end of each reporting period.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or when the financial assets are transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(ii) *Financial assets at fair value through profit or loss*

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

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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

2.11 Financial assets *(Continued)*

Classification of financial assets *(Continued)*

(ii) *Financial assets at fair value through profit or loss (Continued)*

Financial assets 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 assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance is evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's accounting policies in note 2.9 to these financial statements.

Impairment of financial assets

At the end of each reporting period, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- (i) significant financial difficulty of the debtor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) granting concession to a debtor because of debtor's financial difficulty; and
- (iv) it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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

2.11 Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost (Continued)

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

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

(i) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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

2.12 Financial liabilities *(Continued)*

(ii) Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

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

2.13 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.

2.14 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 HKAS40 "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 embodied in the property overtime, rather than through sale.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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

2.15 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.

2.16 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.

2.17 Coupon liabilities

Coupon liabilities are recognised based on the fair value of coupons granted to customers in accordance with the Group's past experience on the level of redemption of coupons and are recorded in other payables. The revenue of the Group is deducted when the coupon liabilities are recognised.

2.18 Leases

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.

As 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.

As 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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

2.20 Related parties *(Continued)*

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.

2.21 Share-based payments

The Group operates equity-settled share-based compensation plans and the options are awarded to employee providing services to the Group.

All services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions. Market vesting conditions are factored into the fair value of the options granted.

All share-based compensation is recognised as an expense in profit or loss over the vesting period if non-market vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as an asset, with a corresponding increase in the share option reserve in equity. If non-market vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. After vesting date, when the vested share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

2.22 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 contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

2.23 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Segment reporting (Continued)

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) expenses related to share-based payments;
- (b) income tax; and
- (c) 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 property.

3. ADOPTION OF NEW AND REVISED HKFRSs

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

In the current year, the Group has 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 2016.

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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 HKAS 7 — Disclosure Initiative

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

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

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

Amendments to HKAS 40 — Transfers of Investment Property

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

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

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

HKFRS 9 — Financial Instruments

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

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

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

HKFRS 15 — Revenue from Contracts with Customers

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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

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

HKFRS 15 — Revenue from Contracts with Customers *(Continued)*

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

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

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

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

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

HKFRS 16 Leases

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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 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 2.6 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.

(ii) Impairment of receivables

The policy for the impairment of receivables is based on the evaluation of collectability and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor.

(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 the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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

(vi) Fair value measurement *(Continued)*

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 property (note 13); and
- Financial assets/liabilities at fair value through profit or loss (note 18)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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

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

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

Note:

Total customer sales proceeds

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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 property		Treasury activities		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue								
From external customers	341,889	385,303	2,280	2,234	-	-	344,169	387,537
Reportable segment revenue	341,889	385,303	2,280	2,234	-	-	344,169	387,537
Reportable segment profit/(loss)	11,952	38,729	(8,233)	(155)	(481)	333	3,238	38,907
Interest income	1,181	1,565	-	-	431	967	1,612	2,532
Changes in fair value of investment property	-	-	(9,600)	(1,400)	-	-	(9,600)	(1,400)
Finance cost	(163)	(77)	(352)	(404)	-	-	(515)	(481)
Dividend income	-	-	-	-	2	83	2	83
Depreciation	(10,285)	(9,871)	(1)	(4)	-	-	(10,286)	(9,875)
Written off of property, plant and equipment	-	(474)	-	-	-	-	-	(474)
Bad debts written off	-	(50)	-	-	-	-	-	(50)
(Loss)/gain on disposal of financial assets/liabilities at fair value through profit or loss	-	-	-	-	(685)	81	(685)	81
Fair value loss on financial assets/liabilities at fair value through profit or loss	-	-	-	-	(106)	(624)	(106)	(624)
Reportable segment assets	286,060	300,604	51,123	60,688	17,385	45,969	354,568	407,261
Additions to non-current segment assets during the year	5,750	45,459	-	-	-	-	5,750	45,459
Reportable segment liabilities	171,341	207,691	15,600	18,028	33	68	186,974	225,787

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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

(Continued)

Segment information (Continued)

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

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

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

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

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

Most of the revenue of the Group are derived from Hong Kong. The Group has a large number of customers, and no significant revenue was derived from specific external customers for the years ended 31 March 2016 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



6. PROFIT FROM OPERATIONS

	2017 HK\$'000	2016 HK\$'000
Profit from operations is arrived at after charging:		
Auditor's remuneration	620	610
Depreciation of property, plant and equipment*	10,361	9,890
Loss on disposal of property, plant and equipment	330	168
Written off of property, plant and equipment	–	474
Bad debts written off	–	50
Changes in fair value of investment property (note 13)	9,600	1,400
Operating leases in respect of leasehold premises:		
— Minimum leases payments	45,701	46,671
— Contingent rents**	62	91
	45,763	46,762
Operating leases in respect of office equipment	2,586	2,744
Staff costs (excluding directors' remuneration (note 11)):		
— Salaries	157,598	171,980
— Retirement scheme contribution	6,951	7,553
— Share-based payments expenses	–	141
	164,549	179,674

* Depreciation expenses have been included in:

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

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

7. FINANCE COST

	2017 HK\$'000	2016 HK\$'000
Interest on bank borrowings	515	481

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



8. INCOME TAX EXPENSE AND DEFERRED TAX

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

	2017 HK\$'000	2016 HK\$'000
Current tax — Hong Kong		
Tax for the year	2,637	5,929
Over provision in respect of prior years	(209)	(719)
	2,428	5,210
Deferred tax (note 8(ii))	797	–
	3,225	5,210

Reconciliation between income tax expense and accounting profit at the applicable tax rate is as follows:

	2017 HK\$'000	2016 HK\$'000
Profit before income tax	1,691	36,248
Tax calculated at the rates applicable to profits in the tax jurisdiction concerned	295	5,954
Tax effect of non-deductible items	2,150	476
Tax effect of non-taxable items	(425)	(314)
Tax losses utilised for the year	(284)	(422)
Tax effect of tax losses not recognised	883	309
Over provision in respect of prior years	(209)	(719)
Tax effect of temporary differences not recognised	975	63
Effect of tax reduction	(160)	(137)
Income tax expense	3,225	5,210

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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

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

	Accelerated tax depreciation HK\$'000
At 1 April 2016	–
Charged to profit or loss for the year (note 8(i))	797
At 31 March 2017	797

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

9. DIVIDEND

	2017 HK\$'000	2016 HK\$'000
Proposed final dividend	10,272	13,867

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

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

The directors recommend a final dividend of HK 2.0 cents (2016: HK 2.7 cents) per ordinary share for the year ended 31 March 2017, amounting to approximately HK\$10,272,000 (2016: HK\$13,867,000) which is subject to approval by the shareholders in the forthcoming annual general meeting. The proposed dividend is not reflected as a dividend payable in these financial statements, but reflected as an appropriation of retained profits for the year.

10. (LOSS)/EARNINGS PER SHARE

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) 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 HK\$'000	Retirement scheme contribution HK\$'000	Total HK\$'000
2017					
<i>Executive directors</i>					
Mr. Ko Wai Ming, Daniel	–	576	–	18	594
Ms. Cheng Hang Fan	–	679	90	18	787
Mr. Kam Tze Ming, Alfred	–	1,812	151	18	1,981
Mr. Chan Wan Fung	–	1,318	110	18	1,446
	–	4,385	351	72	4,808
<i>Independent non-executive directors</i>					
Mr. Yung Ha Kuk, Victor	166	–	–	–	166
Mr. Szeto Chi Man	132	–	–	–	132
Mr. Mak King Sau	132	–	–	–	132
	430	–	–	–	430
	430	4,385	351	72	5,238
2016					
<i>Executive directors</i>					
Mr. Ko Wai Ming, Daniel	–	691	88	18	797
Ms. Cheng Hang Fan	–	679	389	18	1,086
Mr. Kam Tze Ming, Alfred	–	1,812	229	18	2,059
Mr. Chan Wan Fung	–	1,318	165	18	1,501
	–	4,500	871	72	5,443
<i>Independent non-executive directors</i>					
Mr. Yung Ha Kuk, Victor	166	–	–	–	166
Mr. Szeto Chi Man	132	–	–	–	132
Mr. Mak King Sau	132	–	–	–	132
	430	–	–	–	430
	430	4,500	871	72	5,873

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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

(b) Five highest paid individuals

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

	2017 Number of individuals	2016 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:

	2017 HK\$'000	2016 HK\$'000
Salaries, allowances and other benefits	2,566	2,020
Discretionary bonuses	140	135
Retirement scheme contribution	54	36
	2,760	2,191

Their emoluments fell within the following emolument bands:

	2017 Number of Individuals	2016 Number of Individuals
Nil–HK\$1,000,000	3	–
HK\$1,000,001–HK\$1,500,000	–	2

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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	Land and Buildings HK\$'000	Total HK\$'000
At 31 March 2015							
Cost	15,652	19,512	4,729	–	–	45,108	85,001
Accumulated depreciation	(12,279)	(10,777)	(2,732)	–	–	(4,187)	(29,975)
Net book amount	3,373	8,735	1,997	–	–	40,921	55,026
Year ended 31 March 2016							
Opening net book amount	3,373	8,735	1,997	–	–	40,921	55,026
Acquisition of a subsidiary (note 28)	–	63	27	–	–	–	90
Additions	1,936	4,545	608	–	–	31,152	38,241
Disposals	(37)	(1)	(130)	–	–	–	(168)
Written-off	–	(474)	–	–	–	–	(474)
Depreciation	(2,660)	(4,601)	(720)	–	–	(1,909)	(9,890)
Closing net book amount	2,612	8,267	1,782	–	–	70,164	82,825
At 31 March 2016							
Cost	16,064	22,905	4,835	–	–	76,260	120,064
Accumulated depreciation	(13,452)	(14,638)	(3,053)	–	–	(6,096)	(37,239)
Net book amount	2,612	8,267	1,782	–	–	70,164	82,825
Year ended 31 March 2017							
Opening net book amount	2,612	8,267	1,782	–	–	70,164	82,825
Additions	2,110	1,185	497	514	336	–	4,642
Disposals	(38)	(32)	(260)	–	–	–	(330)
Depreciation	(2,145)	(4,819)	(701)	(72)	(56)	(2,568)	(10,361)
Closing net book amount	2,539	4,601	1,318	442	280	67,596	76,776
At 31 March 2017							
Cost	15,664	23,226	4,001	514	336	76,260	120,001
Accumulated depreciation	(13,125)	(18,625)	(2,683)	(72)	(56)	(8,664)	(43,225)
Net book amount	2,539	4,601	1,318	442	280	67,596	76,776

At 31 March 2017, land and buildings of approximately HK\$67,596,000 (2016: HK\$70,164,000) were pledged to secure bank borrowings (2016: bank borrowings and bank overdraft) granted to the Group (note 23). The land and buildings are situated in Hong Kong with medium lease terms expiring in 2039 to 2047.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



13. INVESTMENT PROPERTY

	2017 HK\$'000	2016 HK\$'000
At beginning of the year	60,600	62,000
Changes in fair value of investment property (note 6)	(9,600)	(1,400)
At end of the year	51,000	60,600

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

The fair value of the Group's investment property as at 31 March 2017 and 31 March 2016 was arrived at on the basis of the valuation carried out as at that date by B.I. Appraisals Limited, an independent qualified professional valuer not connected to the Group. B.I. Appraisals Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experience in the valuation of properties in the relevant location.

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	2017 Range	2016 Range
Investment property	Investment method	Market monthly rental rate taking into account of individual factors such as location, environment, age, accessibility, floor, size, etc. (HK\$/square feet)	HK\$173 to HK\$450	HK\$206 to HK\$395
		Reversionary yield	2.6% to 3.6%	2.5% to 3.6%

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



13. INVESTMENT PROPERTY (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.

	2017 HK\$'000
Opening balance (level 3 recurring fair value)	60,600
Changes in fair value of investment property (note 6)	(9,600)
Closing balance (level 3 recurring fair value)	51,000
Changes in unrealised losses for the year included in profit or loss for the assets held at 31 March	(9,600)

The Group's investment property is pledged to a bank to secure a bank borrowing granted to the Group as at 31 March 2017 (note 23).

14. GOODWILL

The net carrying amount of goodwill is analysed as follows:

	2017 HK\$'000	2016 HK\$'000
At beginning of the year		
Gross carrying amount	445	–
Accumulated impairment	–	–
Net carrying amount	445	–
For the year ended 31 March		
Opening net carrying amount	445	–
Acquisition of a subsidiary (note 28)	–	445
Closing net carrying amount	445	445
At end of the year		
Gross carrying amount	445	445
Accumulated impairment	–	–
Net carrying amount	445	445

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

The recoverable amount for the cash-generating unit was determined based on the value in use calculations, covering a detailed four-year budget plan which represents the business cycle and strategy plan of the Group's wedding-related business and discount rate of 3% (2016: 3%) estimated by the management.

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.

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14. GOODWILL *(Continued)*

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

15. 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.

16. TRADE RECEIVABLES

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

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

	2017 HK\$'000	2016 HK\$'000
0-30 days	6,121	7,736
31-90 days	1,008	2,004
Over 90 days	160	170
	7,289	9,910

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

The ageing analysis of the Group's trade receivables that are not impaired, based on due date is as follows:

	2017 HK\$'000	2016 HK\$'000
Neither past due nor impaired	5,575	3,754
Not more than 3 months past due	1,661	6,118
More than 3 months but less than 12 months past due	53	38
	7,289	9,910

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a large number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery amount is remote, in which case the impairment loss is written off against trade receivables directly. Based on this assessment, the bad debts written off against trade receivables directly during the year ended 31 March 2016 were approximately HK\$50,000.

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17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

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.

18. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss:

	2017 HK\$'000	2016 HK\$'000
Equity securities held for trading, at fair value, listed in Hong Kong (note a)	2,004	951
Debt securities held for trading, at fair value, listed in Hong Kong (note b)	–	19,326
Derivative financial instruments		
— Hang Seng Index future contract (note a)	3	–
	2,007	20,277

Financial liabilities at fair value through profit or loss:

	2017 HK\$'000	2016 HK\$'000
Derivative financial instruments		
— Hang Seng Index future contract (note a)	–	31

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:

- Fair values of these investments have been determined by reference to their quoted bid prices at the reporting date.
- The fair value of debt securities listed in Hong Kong, and traded on over-the-counter (“OTC”) are determined based on quoted market price available on the OTC market as described in note 31.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



19. TIME DEPOSITS, AND CASH AND CASH EQUIVALENTS

	2017 HK\$'000	2016 HK\$'000
Cash deposits in banks and financial institutions	42,314	94,079
Short-term deposits in banks	130,195	100,301
	172,509	194,380
Time deposits with an original maturity of more than three months	(130,195)	(80,168)
Cash and cash equivalents	42,314	114,212

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 six months and one year (2016: three weeks and one year) depending on the immediate cash requirements of the Group, and earn interest at respective short-term deposit rates, ranging from 0.73% to 1.75% (2016: from 0.30% to 1.08%) per annum.

The Group had cash and bank balances denominated in RMB of approximately RMB1,393,000 (2016: RMB2,308,000) and the remittance of these funds out of the PRC was subject to the exchange control restrictions imposed by the PRC government.

20. PLEDGED DEPOSITS

As at 31 March 2017, pledged deposits of approximately HK\$1,367,000 (2016: HK\$307,000) and HK\$1,000,000 (2016: Nil) represented deposits pledged to a broker and a bank (2016: a broker) as securities for derivative financial instruments and banking facilities (2016: derivative financial instruments) of the Group, which did not carry interest.

21. TRADE PAYABLES

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22. ACCRUED CHARGES, DEPOSITS RECEIVED AND OTHER PAYABLES

	2017 HK\$'000	2016 HK\$'000
Accrued charges	14,464	21,053
Deposits received	29,036	26,777
Other payables	7,404	5,517
	50,904	53,347

23. BANK BORROWINGS

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

The Group's interest-bearing bank borrowing of approximately HK\$780,000 (2016: HK\$1,330,000) bears interest at a floating rate of 1.75% per annum over 1 month HIBOR; interest-bearing bank borrowing of approximately HK\$4,355,000 (2016: HK\$4,812,000) bears interest at a floating rate of 2.15% per annum below HKD prime; interest-bearing bank borrowing of approximately HK\$5,820,000 (2016: Nil) bears interest at a floating rate of 1.60% per annum over HIBOR with capped rate of 2.90% per annum below HKD prime; and bank overdraft of Nil (2016: approximately HK\$9,975,000) bears interest at a floating rate of 2.00% per annum over 1 month HIBOR are secured by the Group's land and buildings of approximately HK\$67,596,000 (2016: HK\$70,164,000) as at 31 March 2017 (note 12).

The Group's interest-bearing bank borrowing of approximately HK\$15,027,000 (2016: HK\$17,456,000) bears interest at a floating rate of 2.85% per annum below HKD prime and is secured by the Group's investment property of approximately HK\$51,000,000 (2016: HK\$60,600,000) as at 31 March 2017 (note 13).

The current liabilities include bank borrowings of approximately HK\$21,884,000 (2016: HK\$20,162,000) that are not scheduled for repayment within one year. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion.

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24. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2017 HK\$'000	2016 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries		36,900	36,900
		36,900	36,900
Current assets			
Prepayments		297	297
Amounts due from subsidiaries		167,158	169,277
Cash and cash equivalents		71	84
		167,526	169,658
Current liabilities			
Accrued charges and other payables		377	901
Amounts due to subsidiaries		43,953	43,677
Provision for tax		184	18
		44,514	44,596
Net current assets		123,012	125,062
Total assets less current liabilities		159,912	161,962
Net assets		159,912	161,962
EQUITY			
Share capital		5,136	5,136
Reserves	26(b)	154,776	156,826
Total equity		159,912	161,962

Cheng Hang Fan
Director

Chan Wan Fung
Director

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24. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Details of the subsidiaries at 31 March 2017 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	British Virgin Islands 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
MICEExpert Limited (專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 (專業旅運(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 (專業旅行社(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 (“Premium Holidays”) (尊賞假期有限公司)	Hong Kong 13 July 2012	HK\$1,000,000 ordinary shares	70%	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

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24. 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
Interests held indirectly				
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 share	100%	Investment in treasury activities
TE Nice Tour (Shenzhen) Limited (專業新景界旅行社(深圳)有限公司)	The PRC 8 April 2004	RMB8,000,000 (2016: RMB4,000,000)	55%	Inactive
Bossfly Limited (總要飛有限公司)	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 ("Take My Hand") (緣動有限公司)	Hong Kong 11 April 2013	HK\$500,000 ordinary shares	60%*	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
Take My Hand Bella Limited (緣動貝拉有限公司)	Hong Kong 4 August 2016	HK\$1,000 ordinary shares	36%	Wedding and wedding related business

* During the year ended 31 March 2016, the Group acquired 60% of equity interests in Take My Hand at the consideration of HK\$500,000. This transaction was accounted as business combination (note 28).

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

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FOR THE YEAR ENDED 31 MARCH 2017



25. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	2,000,000	20,000

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

26. 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.

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26. RESERVES (Continued)

(b) Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Proposed final dividend HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2015	57,779	36,900	352	17,462	28,472	140,965
Recognition of share-based payments	–	–	141	–	–	141
Final dividend declared	–	–	–	(17,462)	–	(17,462)
Interim dividend proposed and declared	–	–	–	–	(7,704)	(7,704)
Final dividend proposed	–	–	–	13,867	(13,867)	–
Profit for the year	–	–	–	–	40,886	40,886
At 31 March 2016 and 1 April 2016	57,779	36,900	493	13,867	47,787	156,826
Lapse of share-based payments	–	–	(493)	–	493	–
Final dividend paid	–	–	–	(13,867)	–	(13,867)
Final dividend declared	–	–	–	10,272	(10,272)	–
Profit for the year	–	–	–	–	11,817	11,817
At 31 March 2017	57,779	36,900	–	10,272	49,825	154,776

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



27. SHARE OPTION SCHEME

The Company operates an equity-settled share-based remuneration schemes for the employees.

On 2 July 2014, the Company granted to an eligible person a total of 2,000,000 share options to subscribe for ordinary shares of HK\$0.01 each in the share capital of the Company under the share option scheme (the "Share Option Scheme") adopted on 6 September 2011. The options vest 6 months to 1.5 years from the date of grant and then are exercisable within a period ranging from one to two years.

The following tables disclose the movements of the outstanding share options under the Share Option Scheme during the current year and prior year.

Grantee	Exercisable period	Number of options					Balance at 31 March 2017	Exercise price per share (HK\$)
		Balance at 1 April 2016	Granted during the year	Exercised during the year	Forfeited during the year	Lapsed during the year		
Employee of the Group	1 January 2015 to 31 December 2016	1,000,000	-	-	-	(1,000,000)	-	1.002
	1 January 2016 to 31 December 2016	1,000,000	-	-	-	(1,000,000)	-	1.002
		2,000,000	-	-	-	(2,000,000)	-	

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

The fair value of options granted during the year ended 31 March 2015 was approximately HK\$493,000, of which share-based payments expenses of approximately HK\$141,000 were charged to the profit or loss during the year ended 31 March 2016.

The options outstanding as at 31 March 2016 have a weighted average remaining contractual life of 0.75 year and weighted average exercise price of HK\$1.002 per share.

The weighted average exercise price of share options for the lapsed share options was HK\$1.002 per share during the year and there was no share option outstanding under the Share Option Scheme as at 31 March 2017.

No option was exercised during the years ended 31 March 2017 and 2016.

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28. BUSINESS COMBINATION

On 30 April 2015, the Group acquired 60% equity interests of Take My Hand, a company whose principal activities are providing wedding products and event management and related activities.

The fair values of identifiable assets and liabilities of Take My Hand as at the date of acquisition were:

	HK\$'000
Property, plant and equipment (note 12)	90
Trade receivables	68
Deposits and other receivables	271
Cash and cash equivalents	155
Trade payables	(24)
Accrued charges and deposits received	(369)
Provision for tax	(100)
	91
Non-controlling interests	(36)
	55
Goodwill arising on acquisition (note 14)	445
Total consideration	500
Satisfied by:	
— Cash consideration	500
Net cash outflow arising from acquisition:	
Cash payment	500
Cash and cash equivalents acquired	(155)
	345

The goodwill of HK\$445,000 arises from expected synergies through combining a skilled workforce and efficiencies through acquisition of Take My Hand. The transaction was made as part of the Group's strategy to develop and promote the Group's overseas wedding travel products and to extend the Group's scope of business and services into event management and to support the Group's corporate travel and tour business. The Group has elected to measure the non-controlling interest in Take My Hand at the non-controlling interests' proportionate share of Take My Hand's identifiable net assets.

The fair value of trade and other receivables amounted to HK\$294,000. In the opinion of the directors, no receivable is expected to be uncollectible.

The acquisition-related costs were not material, and have been expensed and are included in administrative expenses.

Since the acquisition date, Take My Hand has contributed revenue of HK\$1,044,000 and a loss of HK\$1,105,000 to the Group's revenue and profit respectively for the period from 30 April 2015 to 31 March 2016. If the acquisition had occurred on 1 April 2015, the Group's revenue and profit after income tax for the year ended 31 March 2016 would have been HK\$387,590,000 and HK\$30,827,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2015, nor is it intended to be a projection of future performance.

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29. BANKING FACILITIES

As at 31 March 2017, the Group's banking facilities are approximately HK\$218,862,000 (2016: HK\$245,820,000) with approximately HK\$70,010,000 (2016: HK\$68,537,000) being utilised. The Group's banking facilities were secured by:

- (i) the land and buildings with carrying amount of approximately HK\$67,596,000 as at 31 March 2017 (2016: HK\$70,164,000);
- (ii) the investment property with carrying amount of approximately HK\$51,000,000 as at 31 March 2017 (2016: HK\$60,600,000);
- (iii) the pledged deposit with carrying amount of approximately HK\$1,000,000 as at 31 March 2017 (2016: Nil); and
- (iv) the corporate guarantee or cross-guarantees provided by the Company and/or certain subsidiaries.

30. COMMITMENTS

Operating lease commitments

As lessee

The Group leases certain premises and office equipment under operating lease commitments for terms ranging from one to four 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 level.

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

	2017 HK\$'000	2016 HK\$'000
Buildings:		
— Within one year	34,584	39,114
— In the second to fifth years, inclusive	15,035	21,720
	49,619	60,834
Other assets:		
— Within one year	500	600
— In the second to fifth years, inclusive	—	500
	500	1,100

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30. COMMITMENTS (Continued)

Operating lease commitments (Continued)

As lessor

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

	2017 HK\$'000	2016 HK\$'000
— Within one year	380	2,280
— In the second to fifth years, inclusive	—	380
	380	2,660

Capital commitments

As at 31 March 2017, the Group's commitments in respect of capital expenditure were contracted but not provided for the acquisition of property, plant and equipment of approximately HK\$268,000 (2016: Nil).

31. 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 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.

In the opinion of the directors, the Group do not have significant credit risk exposure because:

- The cash balances of the Group are mainly deposited with the banks and reputable financial institutions; and
- The Group has no significant concentration 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.

In general, there is no requirement for collateral by the Group.

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FOR THE YEAR ENDED 31 MARCH 2017



31. 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 19) and bank borrowings (note 23) 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)/profit 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)/profit for the year and retained profits			
	Possible change in interest rates	Decrease in loss/increase in profit and retained profits HK\$'000	Possible change in interest rates	Increase in loss/decrease in profit and retained profits HK\$'000
31 March 2017	+1%	206	-1%	(206)
31 March 2016	+1%	673	-1%	(673)

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.

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FOR THE YEAR ENDED 31 MARCH 2017



31. 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:

	2017 HK\$'000	2016 HK\$'000
Assets:		
Japanese Yen ("JPY")	22,316	14,783
United States dollars ("US\$")	–	4,319
EURO ("EUR")	4,885	1,727
Australian dollar ("AUD")	1,291	1,417
Singapore dollar ("SGD")	1,752	2,977
Renminbi ("RMB")	1,483	112
New Zealand dollar ("NZD")	231	808
Canadian dollar ("CAD")	328	675
	32,286	26,818
Liabilities:		
JPY	(15,254)	(16,772)
US\$	(16,042)	(3,741)
EUR	(1,323)	(1,364)
AUD	(309)	(450)
SGD	(1,596)	(2,946)
Malaysian Rin ("MYR")	(716)	(754)
Philippine Peso ("PHP")	(13)	(36)
Thailand Baht ("THB")	(615)	(1,066)
RMB	(102)	(482)
Taiwanese dollar ("TWD")	(310)	(122)
Macau Pataca ("MOP")	(1,283)	(509)
NZD	(44)	(8)
CAD	(552)	(8)
	(38,159)	(28,258)
Net exposure to foreign currency risk	(5,873)	(1,440)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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

(iii) Foreign currency risk *(Continued)*

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\$, at a range of US\$1: HK\$7.75–7.85, 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 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)/profit for the year and retained profits during the year 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.

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.

	Effect on (loss)/profit for the year and retained profits	
	2017	2016
	HK\$'000	HK\$'000
JPY	(295)	83
EUR	(149)	(15)
AUD	(41)	(40)
SGD	(7)	(1)
MYR	30	31
PHP	1	1
THB	26	45
RMB	(58)	15
TWD	13	5
MOP	54	21
NZD	(8)	(33)
CAD	9	(28)
	(425)	84

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)/profit for the year and retained profits but of opposite effect.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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

(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.

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	Less than three months HK\$'000
At 31 March 2017				
Trade payables	110,835	110,835	40,048	70,787
Bank borrowings	25,982	25,982	25,982	–
Other payables	7,404	7,404	7,404	–
	144,221	144,221	73,434	70,787
At 31 March 2016				
Trade payables	140,021	140,021	39,974	100,047
Bank borrowings	33,573	33,573	33,573	–
Other payables	5,517	5,517	5,517	–
Financial liabilities at fair value through profit or loss	31	31	31	–
	179,142	179,142	79,095	100,047

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

(iv) Liquidity risk (Continued)

The table below summarises the maturity analysis of bank borrowings with a repayment on demand clause 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 borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Carrying amount HK\$'000	Total contractual undiscouted 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 2017						
Bank borrowings	25,982	28,950	4,905	4,473	12,392	7,180
At 31 March 2016						
Bank borrowings	33,573	35,436	13,882	3,897	10,242	7,415

(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 2017 and 2016 as mentioned in note 18 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 2.17% (2016: 5.49%) has been observed in the Hang Seng Index during the year ended 31 March 2017.

The table below summarises the impact of increase/decrease of the Hang Seng Index on the Group's (loss)/profit 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)/profit for the year and retained profits			
	Possible change in market price	Decrease in loss/increase in profit and retained profits HK\$'000	Possible change in market price	Increase in loss/decrease in profit and retained profits HK\$'000
31 March 2017	+10%	200	-10%	(200)
31 March 2016	+10%	95	-10%	(95)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



31. 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 notes 2.11 and 2.12 for explanations about how the category of financial instruments affects their subsequent measurement.

	2017 HK\$'000	2016 HK\$'000
Financial assets		
Measured at fair value through profit or loss		
— Financial assets at fair value through profit or loss	2,007	20,277
Loans and receivables		
— Trade receivables	7,289	9,910
— Other receivables	15,642	13,630
	22,931	23,540
Pledged deposits	2,367	307
Time deposits over three months	130,195	80,168
Cash and cash equivalents	42,314	114,212
	199,814	238,504

	2017 HK\$'000	2016 HK\$'000
Financial liabilities		
Measured at fair value through profit or loss		
— Financial liabilities at fair value through profit or loss	—	31
Measured at amortised cost		
— Trade payables	110,835	140,021
— Other payables	7,404	5,517
— Bank borrowings	25,982	33,573
	144,221	179,111
	144,221	179,142

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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

(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.

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

	2017			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets at fair value through profit or loss				
— Derivatives	3	—	—	3
— Listed equity investments	2,004	—	—	2,004
	2,007	—	—	2,007

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



32. 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 currently does not adopt any formal dividend policy.

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.

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

	2017 HK\$'000	2016 HK\$'000
Capital:		
Total equity	170,229	183,791
Overall financing:		
Bank borrowings	25,982	33,573
Capital-to-overall financing ratio	6.55 times	5.47 times

33. 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

	2017 HK\$'000	2016 HK\$'000
Rental expenses paid to related companies (note 1(a))	2,403	2,514
Rental deposits paid to related companies included in prepayments, deposits and other receivables (note 1(b))	586	668

Notes:

1. Mr. Ko Wai Ming, Daniel and/or Ms. Cheng Hang Fan, the directors of the Company, are directors and/or ultimate beneficial owners of these related companies.
 - (a) During the year ended 31 March 2017, except for the rental expenses paid to related companies of approximately HK\$877,000 (2016: HK\$1,004,000), the remaining rental expenses paid to related companies constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.
 - (b) For the deposits paid to related companies, the maximum balance outstanding during the years ended 31 March 2017 and 2016 were approximately HK\$721,000 and HK\$743,000 respectively.
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



33. RELATED PARTY TRANSACTIONS (Continued)

(ii) Compensation of key management personnel

Total remuneration of the Group's directors and other members of key management personnel during the years:

	2017 HK\$'000	2016 HK\$'000
— Short-term employee benefits	5,166	5,801
— Retirement scheme contribution	72	72
	5,238	5,873

34. NON-CONTROLLING INTERESTS

Premium Holidays, a 70% (2016: 70%) owned subsidiary of the Company, has material non-controlling interests ("NCI"). Summarised financial information in relation to Premium Holidays, before intragroup eliminations, is presented below:

	2017 HK\$'000	2016 HK\$'000
For the year ended 31 March		
Revenue	73,050	66,026
Loss	(2,635)	(697)
Total comprehensive income	(2,635)	(697)
Loss allocated to NCI	(790)	(209)
Dividends paid to NCI	—	—
For the year ended 31 March		
Cash flows (used in)/generated from operating activities	(148)	827
Cash flows used in investing activities	(81)	(826)
Cash flows generated from financing activities	—	1,442
Net cash (outflows)/inflows	(229)	1,443
As at 31 March		
Current assets	19,530	6,675
Non-current assets	919	1,253
Current liabilities	(31,729)	(16,574)
Net liabilities	(11,280)	(8,646)
Accumulated non-controlling interests	(3,384)	(2,594)

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 June 2017.

FIVE-YEAR FINANCIAL SUMMARY



	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
Total customer sales proceeds	1,757,143	1,903,156	2,027,632	1,873,270	1,604,767
Revenue	344,169	387,537	375,574	315,827	264,263
Cost of sale	(65,909)	(57,596)	(35,093)	–	–
Gross profit	278,260	329,941	340,481	315,827	264,263
Other income	16,227	16,782	13,374	7,948	6,903
Changes in fair value of investment property	(9,600)	(1,400)	–	–	8,549
Selling and distribution costs	(209,967)	(236,051)	(234,509)	(217,664)	(186,273)
Administrative expenses	(71,923)	(72,000)	(67,159)	(52,237)	(45,885)
(Loss)/gain on disposal of financial assets at fair value through profit or loss	(685)	81	1,263	(218)	–
Fair value (loss)/gain on financial assets/ liabilities at fair value through profit or loss	(106)	(624)	904	(187)	–
Profit from operations	2,206	36,729	54,354	53,469	47,557
Finance cost	(515)	(481)	(497)	(557)	(223)
Profit before income tax	1,691	36,248	53,857	52,912	47,334
Income tax expense	(3,225)	(5,210)	(9,966)	(9,644)	(5,995)
(Loss)/profit for the year	(1,534)	31,038	43,891	43,268	41,339
Other comprehensive income for the year, net of tax	(265)	(164)	(48)	(1)	9
Total comprehensive income for the year	(1,799)	30,874	43,843	43,267	41,348
ASSETS AND LIABILITIES					
Non-current assets	135,606	150,601	117,026	114,971	114,311
Current assets	223,904	260,789	327,237	254,887	200,135
TOTAL ASSETS	359,510	411,390	444,263	369,858	314,446
Non-current liabilities	(797)	–	–	–	–
Current liabilities	(188,484)	(227,599)	(266,555)	(215,112)	(180,887)
TOTAL LIABILITIES	(189,281)	(227,599)	(266,555)	(215,112)	(180,887)
	170,229	183,791	177,708	154,746	133,559

Note:

The consolidated results of the Group for each of the years ended 31 March 2016 and 2017 and the consolidated assets and liabilities of the Group as at 31 March 2016 and 2017 are those set out on pages 49 to 103 of this annual report. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years.