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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

FINANCIAL HIGHLIGHTS

- Total customer sales proceeds for the period was HK$636.0 million, representing a decrease of 14.6% from HK$744.6 million for the corresponding period last year.
- Revenue for the period was HK$158.2 million, representing an increase of 4.6% from HK$151.3 million for the corresponding period last year.
- The loss for the period attributable to owners of the Company was HK$12.2 million (2018: HK$7.9 million).
- Loss per share attributable to owners of the Company for the period was HK2.4 cents (2018: HK1.5 cents).
- The Board has resolved not to declare an interim dividend for the six months ended 30 September 2019 (2018: Nil).

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Travel Expert (Asia) Enterprises Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2019 together with comparative figures.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Notes	Six months ended 30 September 2019 (unaudited) HK$'000	2018 (unaudited) HK$'000
Revenue	4	**158,188**	151,260
Cost of sales		**(63,089)**	(41,172)
Gross profit		**95,099**	110,088
Other income and gains	4	**6,001**	6,680
Changes in fair value of investment properties	11	**(1,823)**	4,200
Selling and distribution costs		**(75,464)**	(90,510)
Administrative expenses		**(33,497)**	(38,946)
Share of losses of associates		**(752)**	(98)
Loss on disposal of financial assets/liabilities at fair value through profit or loss		**(226)**	(1,033)
Fair value loss on financial assets/liabilities at fair value through profit or loss		**(256)**	(18)
Loss from operations	5	**(10,918)**	(9,637)
Finance costs	6	**(939)**	(133)
Loss before income tax		**(11,857)**	(9,770)
Income tax expense	7	**(87)**	(277)
Loss for the period		**(11,944)**	(10,047)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas subsidiaries		**(306)**	(318)
Item that will not be reclassified to profit or loss:			
Fair value adjustment upon transfer of property, plant and equipment to investment properties	11	**–**	34,727
Other comprehensive income for the period, net of tax		**(306)**	34,409
Total comprehensive income for the period		**(12,250)**	24,362

	Notes	Six months ended 30 September 2019 (unaudited) HK$'000	2018 (unaudited) HK$'000
(Loss)/profit for the period attributable to:			
Owners of the Company		**(12,192)**	(7,940)
Non-controlling interests		**248**	(2,107)
		(11,944)	(10,047)
Total comprehensive income for the period attributable to:			
Owners of the Company		**(12,498)**	26,469
Non-controlling interests		**248**	(2,107)
		(12,250)	24,362
Loss per share attributable to owners of the Company	*8*		
– Basic		**HK(2.4) cents**	HK(1.5) cents
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	30 September 2019 (unaudited) HK$'000	31 March 2019 (audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*10*	**21,426**	23,042
Right-of-use assets		**30,666**	–
Investment properties	*11*	**87,000**	88,800
Goodwill		**–**	–
Lease receivable		**223**	–
Interests in associates		**9,674**	10,496
Deferred tax asset		**86**	–
Deposits		**7,069**	7,598
		156,144	129,936
Current assets			
Inventories		**4,252**	3,716
Trade receivables	*12*	**4,939**	5,711
Lease receivable		**1,301**	–
Prepayments, deposits and other receivables		**26,657**	30,046
Amount due from an associate		**477**	5,690
Financial assets at fair value through profit or loss		**4,397**	13,650
Prepaid tax		**479**	501
Pledged deposits		**17,110**	22,589
Time deposits over three months		**40,003**	30,000
Cash and cash equivalents		**55,077**	92,177
		154,692	204,080
Current liabilities			
Trade payables	*13*	**64,594**	89,114
Lease liabilities		**23,562**	–
Accrued charges, deposits received and other payables		**26,150**	32,155
Contract liabilities		**37,982**	33,809
Bank borrowings	*14*	**3,171**	3,412
Amounts due to associates		**1,197**	8,338
Provision for tax		**744**	474
Financial liabilities at fair value through profit or loss		**81**	60
		157,481	167,362

	Notes	30 September 2019 (unaudited) HK$'000	31 March 2019 (audited) HK$'000
Net current (liabilities)/assets		**(2,789)**	36,718
Total assets less current liabilities		**153,355**	166,654
Non-current liabilities			
Deferred tax liabilities		**76**	56
Lease liabilities – long term		**9,128**	–
		9,204	56
Net assets		**144,151**	166,598
EQUITY			
Equity attributable to owners of the Company			
Share capital	*15*	**5,099**	5,099
Reserves		**139,940**	162,635
		145,039	167,734
Non-controlling interests		**(888)**	(1,136)
Total equity		**144,151**	166,598

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2019

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Group is located at Units A-C, 9/F, D2 Place TWO, 15 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The condensed consolidated interim financial statements for the six months ended 30 September 2019 were approved and authorised for issue by the Board on 21 November 2019.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 September 2019 have been prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial statements are unaudited, but have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2019.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation that have been used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the financial statements for the year ended 31 March 2019, except for the adoption of the new and amended Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations effective for the first time for annual periods beginning on 1 April 2019.

During the interim period, the Group has adopted all the new and amended HKFRSs which are first effective for the reporting period and relevant to the Group. The impact of the adoption of HKFRS 16 "Leases" has been summarised below. The other new or amended HKFRSs that are effective from 1 April 2019 did not have any material impact on the Group's accounting policies.

HKFRS 16 – Leases ("HKFRS 16")

(i) Impact of the adoption of HKFRS 16

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

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

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

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

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

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

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

(ii) The new definition of a lease

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

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

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

(iii) Accounting as a lessee

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

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

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

Right-of-use asset

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

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

Lease liability

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

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

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

(iv) Accounting as a lessor

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

(v) Transition

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

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

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

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

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

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

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

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

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

Note:

Total customer sales proceeds

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

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

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 Six months ended 30 September		Rental income from investment properties Six months ended 30 September		Treasury activities Six months ended 30 September		Total Six months ended 30 September	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue								
From external customers	**157,643**	150,849	**545**	411	**–**	–	**158,188**	151,260
Reportable segment revenue	**157,643**	150,849	**545**	411	**–**	–	**158,188**	151,260
Reportable segment (loss)/profit	**(5,727)**	(8,492)	**(2,298)**	3,732	**(678)**	(2,316)	**(8,703)**	(7,076)
Interest income	**998**	388	**–**	–	**108**	333	**1,106**	721
Changes in fair value of investment properties	**–**	–	**(1,823)**	4,200	**–**	–	**(1,823)**	4,200
Finance costs	**(901)**	(60)	**(38)**	(73)	**–**	–	**(939)**	(133)
Dividend income	**–**	–	**–**	–	**113**	–	**113**	–
Depreciation on property, plant and equipment	**(1,828)**	(3,016)	**(468)**	(81)	**–**	–	**(2,296)**	(3,097)
Depreciation on right-of-use assets	**(12,245)**	–	**–**	–	**–**	–	**(12,245)**	–
Impairment loss on property, plant and equipment	**(8)**	(88)	**–**	–	**–**	–	**(8)**	(88)
Impairment loss on right-of-use assets	**(934)**	–	**–**	–	**–**	–	**(934)**	–
Impairment loss on goodwill	**–**	(445)	**–**	–	**–**	–	**–**	(445)
Loss on disposal of financial assets/liabilities at fair value through profit or loss	**–**	–	**–**	–	**(226)**	(1,033)	**(226)**	(1,033)
Fair value loss on financial assets/liabilities through profit or loss	**–**	–	**–**	–	**(256)**	(18)	**(256)**	(18)
Share of loss of an associate	**(60)**	(114)	**–**	–	**–**	–	**(60)**	(114)
Gain on deregistration of a subsidiary	**–**	214	**–**	–	**–**	–	**–**	214

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

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

	Six months ended 30 September	
	2019	2018
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Reportable segment revenue	**158,188**	151,260
Group revenue	**158,188**	151,260
Reportable segment loss	**(8,703)**	(7,076)
Share of loss/profit of associates	**(692)**	16
Other corporate expenses	**(2,462)**	(2,710)
Loss before income tax	**(11,857)**	(9,770)

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

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

	Revenue from external customers		Non-current assets	
	Six months ended 30 September		**At 30 September**	At 31 March
	2019	2018	**2019**	2019
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (domicile)	**158,133**	151,194	**154,861**	128,730
The People's Republic of China (the "PRC") excluding Hong Kong	**55**	66	**1,283**	1,206
	158,188	151,260	**156,144**	129,936

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

Most of the revenue of the Group are derived from Hong Kong. The Group has a large number of customers, and no significant revenue was derived from specific external customers for the periods.

5. LOSS FROM OPERATIONS

	Six months ended 30 September	
	2019	2018
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Loss from operations is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment*	**2,296**	3,116
Depreciation of right-of-use assets**	**12,245**	–
Loss on disposal of property, plant and equipment	**–**	77
Loss on disposal of a right-of-use asset	**256**	–
Impairment loss on property, plant and equipment	**8**	88
Impairment loss on a right-of-use asset	**934**	–
Changes in fair value of investment properties *(note 11)*	**1,823**	(4,200)
Impairment loss on goodwill	**–**	445
Gain on deregistration of a subsidiary	**–**	(214)
Net foreign exchange (gain)/loss	**(31)**	307
Short term leases expenses (2018: Operating lease charges) in respect of leasehold premises		
– Minimum leases payments	**5,056**	23,001
Contingent rents in respect of leasehold premises***	**49**	82
Staff costs (including directors' remuneration)		
– Salaries	**60,468**	68,917
– Retirement scheme contribution	**2,533**	2,880
	63,001	71,797

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

- selling and distribution costs of approximately HK$638,000 for the six months ended 30 September 2019 (six months ended 30 September 2018: HK$826,000); and
- administrative expenses of approximately HK$1,658,000 for the six months ended 30 September 2019 (six months ended 30 September 2018: HK$2,290,000).

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

- selling and distribution costs of approximately HK$9,670,000 for the six months ended 30 September 2019 (six months ended 30 September 2018: nil); and
- administrative expenses of approximately HK$2,575,000 for the six months ended 30 September 2019 (six months ended 30 September 2018: nil).

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

6. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interests on bank borrowings	**38**	133
Interest on lease liabilities	**901**	–
	939	133

7. INCOME TAX EXPENSE

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

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the BVI during the six months ended 30 September 2018 and 2019 respectively.

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

Subsidiaries of the Company established in the PRC is subjected to PRC enterprise income tax at the rate of 25%. No PRC enterprise income tax has been provided as there is no assessable profit arising in the PRC for the period.

8. LOSS PER SHARE

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

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

9. INTERIM DIVIDEND

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

10. PROPERTY, PLANT AND EQUIPMENT

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

During the six months ended 30 September 2019, losses on travel and travel/wedding related business segment caused the Group to assess the recoverable amount of the property, plant and equipment. Based on the assessment, an impairment loss of approximately HK$8,000 (six months ended 30 September 2018: HK$88,000) was recognised and charged to the consolidated statement of comprehensive income for six months ended 30 September 2019. The recoverable amounts of these property, plant and equipment using value in use calculation were determined by the discounted cash flows generated from these travel and travel related and wedding related business based on a management budget plan and a pre-tax discount rate of 8% and 8%, respectively.

11. INVESTMENT PROPERTIES

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

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

The fair value of the Group's investment properties as at 30 September 2019 were arrived at on the basis of the valuation carried out as at that date by B.I. Appraisals Limited, an independent qualified professional valuer not connected to the Group. B.I. Appraisals Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experience in the valuation of properties in the relevant location.

12. TRADE RECEIVABLES

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

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

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

13. TRADE PAYABLES

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

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

14. BANK BORROWINGS

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

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

The current liabilities include bank borrowings of approximately HK$2,679,000 (31 March 2019: HK$2,926,000) that are not scheduled for repayment within one year. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion.

The Group's interest-bearing bank borrowings are secured by the corporate guarantee provided by the Company and the Group's land and buildings of approximately HK$17,272,000 (31 March 2019: HK$17,708,000) and investment property of approximately HK$8,000,000 (31 March 2019: 8,800,000) as at 30 September 2019 and 31 March 2019.

15. SHARE CAPITAL

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

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

During the Period, the Group recorded a valuation loss of HK$1.8 million in our investment properties (2018: valuation gain of HK$4.2 million). Excluding the property valuation impact, the loss for the Period attributable to owners of the Company was HK$10.4 million (2018: loss of HK$12.1 million). Overall, the Group's loss for the Period was HK$11.9 million, representing a decrease of bottom line from the loss of HK$10.0 million for the corresponding period last year. Loss per share attributable to owners of the Company for the Period was HK2.4 cents (2018: loss of HK1.5 cents). The Board has resolved not to declare an interim dividend for the Period (2018: nil).

BUSINESS REVIEW

The Group's retail FIT (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. After business restructuring in the previous year, the Group's corporate business, cruise holidays and wedding related business are now operated under one single company i.e. Travel Expert. During the Period, the performance of this business line was adversely impacted by political and social issues. Furthermore, online travel agencies, booking platforms of hotels and budget airlines continued to exert tremendous pressure on this business line. In response to the tough operating environment, we continued to implement various cost control measures, such as management team restructuring and branch network streamlining programs to reduce operation costs. We also took a pro-active approach to negotiate with landlords for rental reduction or special marketing fund to support our sales-driven marketing and promotional activities.

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

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

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

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

FINANCIAL REVIEW

Selling and Distribution Costs

For the Period, selling and distribution costs amounted to HK$75.5 million, representing a decrease of 16.6% from HK$90.5 million for the corresponding period last year. The selling and distribution costs accounted for 79.4% of the Group's total gross profit, having decreased from 82.2% in the corresponding period last year.

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

Administrative Expenses

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

Salaries for back office staff and the office rental accounted for the majority of the Group's administrative expenses. Currently, the Group has one back office location in Hong Kong and one in Shenzhen. With our efforts, we managed to reduce the overall administrative expenses to a more reasonable level although we committed to allocating extra resources for the business development and various IT projects as well as advancement of IT applications and infrastructure. In view of the increasing operating cost pressure, the Group will continue to adopt effective control measures on administrative expenses by better allocation of its back office resources and streamlining existing working process.

Finance Cost

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

Liquidity, Financial Resources and Capital Resources

The Group generally finances its liquidity requirements through internally generated resources and will only finance with available banking facilities whenever necessary. The Group's financial position as at 30 September 2019 remained healthy with net assets value of HK$144.2 million (as at 31 March 2019: HK$166.6 million). Including the time deposits over three months, the Group had total cash and cash equivalents of HK$95.1 million as at 30 September 2019 (as at 31 March 2019: HK$122.2 million). As at 30 September 2019, in addition to investment properties of HK$87.0 million (as at 31 March 2019: HK$88.8 million), the Group held a portfolio of financial assets at fair value through profit or loss at around HK$4.4 million (as at 31 March 2019: HK$13.7 million).

As at 30 September 2019, the gearing ratio (bank borrowings divided by total equity) was 2.2% as compared with 2.0% as at 31 March 2019. In view of the Group's cash flow status together with the surplus cash position, the Group has adequate financial resources to meet the future payment obligation and support its future business development plan.

Contingent Liabilities

The Group did not have any contingent liabilities as at 30 September 2019.

Capital Commitments

As at 30 September 2019, the Group's commitments in respect of capital expenditure were contracted but not provided for the acquisition of property, plant and equipment of approximately HK$470,000 (as at 31 March 2019: HK$176,000).

Pledge of Assets

As at 30 September 2019, the Group had outstanding bank loans amounting in total of HK$3.2 million (as at 31 March 2019: HK$3.4 million) which were repayable on demand and secured by the Group's land and building and investment properties.

Foreign Exchange Risks and Treasury Policies

The Group has foreign currency exposures that mainly arise from the balance of assets and liabilities in currencies other than in Hong Kong dollar, the Group's functional currency. The Group's policy requires the management to monitor the Group's foreign exchange exposure by closely monitoring the movement of foreign currency rates. The management may purchase foreign currency at spot rate, when and where appropriate for the purpose of meeting the Group's future payment obligation in foreign currency. With the setup of Travel Expert Asset Management together with the extension of investment scope, the Group may use more financial tools such as foreign exchange forward contracts and currency futures etc. to manage the foreign exchange risks. For the Period, a net foreign exchange gain of approximately HK$31,000 was recorded (2018: exchange loss of HK$307,000).

Human Resources and Employee's Remuneration

As at 30 September 2019, the Group had a total workforce of 375 (as at 31 March 2019: 440), of which about 64% were frontline staff. Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. Other benefits include contributions to mandatory provident fund and medical insurance coverage. In addition, the Group has adopted a Share Option Scheme to recognize the contributions of our staff and to provide them with incentives to stay with the Group. The remuneration policy will be reviewed by the Board from time to time. Emoluments of Directors are determined by the Remuneration Committee after considering the Group's operating results, individual performance and comparing with market conditions.

Event after the Reporting Period

There was no important event affecting the Company and its subsidiaries which has occurred since the six months period ended 30 September 2019.

OUTLOOK

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

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

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

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

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

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

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

CORPORATE GOVERNANCE

During the Period, the Company has complied with all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed and discussed with the management and the Company's external auditors the interim results for the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 of the Listing Rules ("Model Code") as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, the Directors of the Company confirmed that they have complied with the required standard set out in the Model Code during the Period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

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

Hong Kong, 21 November 2019

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