**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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

## FINANCIAL HIGHLIGHTS

- Total customer sales proceeds for the year was HK$1,054.7 million, representing a decrease of 25.5% from HK$1,415.7 million for the last year.
- Revenue for the year was HK$287.2 million, representing a decrease of 5.6% from HK$304.1 million for the last year.
- The loss for the year attributable to the owners of the Company was HK$45.3 million (2019: HK$11.4 million).
- Loss per share attributable to owners of the Company for the year was HK8.9 cents, (2019: HK2.2 cents).
- The Board has resolved not to recommend a final dividend for the year ended 31 March 2020 (2019: HK2.0 cents per ordinary share).

## ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Travel Expert (Asia) Enterprises Limited (the "Company") presents the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2020 together with comparative figures.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2020*

| | *Notes* | **2020** **HK$'000** | 2019 HK$'000 |
|---|---|---|---|
| **Revenue** | *4* | **287,164** | 304,131 |
| Cost of sales | | **(122,851)** | (91,502) |
| **Gross profit** | | **164,313** | 212,629 |
| Other income and gains | *4* | **13,917** | 14,883 |
| Changes in fair value of investment properties | *10* | **(3,923)** | 5,984 |
| Selling and distribution costs | | **(132,661)** | (170,658) |
| Administrative expenses | | **(83,031)** | (75,292) |
| Share of losses of associates | | **(1,521)** | (254) |
| Loss on disposal of financial assets/liabilities at fair value through profit or loss | | **(293)** | (965) |
| Fair value loss on financial assets/liabilities at fair value through profit or loss | | **–** | (18) |
| **Loss from operations** | *5* | **(43,199)** | (13,691) |
| Finance costs | *6* | **(1,673)** | (172) |
| **Loss before income tax** | | **(44,872)** | (13,863) |
| Income tax (expense)/credit | *7* | **(189)** | 219 |
| **Loss for the year** | | **(45,061)** | (13,644) |
| **Other comprehensive income** | | | |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translation of financial statements of overseas subsidiary | | **(309)** | (164) |
| *Item that will not be reclassified subsequently to profit or loss:* | | | |
| Fair value adjustment upon transfer of property, plant and equipment to investment properties | *10* | **–** | 34,727 |
| **Other comprehensive income for the year** | | **(309)** | 34,563 |
| **Total comprehensive income for the year** | | **(45,370)** | 20,919 |

| | Notes | **2020** <br> ***HK$'000*** | 2019 <br> *HK$'000* |
|---|---|---|---|
| **(Loss)/profit for the year attributable to:** | | | |
| Owners of the Company | | **(45,311)** | (11,402) |
| Non-controlling interests | | **250** | (2,242) |
| | | **(45,061)** | (13,644) |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the Company | | **(45,620)** | 23,161 |
| Non-controlling interests | | **250** | (2,242) |
| | | **(45,370)** | 20,919 |
| **Loss per share attributable to owners of the Company** | *9* | | |
| – Basic | | **HK(8.9) cents** | HK(2.2) cents |
| – Diluted | | **N/A** | N/A |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2020*

| | Notes | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **20,718** | 23,042 |
| Investment properties | *10* | **84,900** | 88,800 |
| Interests in associates | | **8,369** | 10,496 |
| Deposits | *12* | **3,389** | 7,598 |
| | | **117,376** | 129,936 |
| **Current assets** | | | |
| Inventories | | **3,462** | 3,716 |
| Trade receivables | *11* | **2,199** | 5,711 |
| Prepayments, deposits and other receivables | *12* | **29,022** | 30,046 |
| Lease receivables | | **881** | – |
| Amount due from an associate | | **135** | 5,690 |
| Financial assets at fair value through profit or loss | | **–** | 13,650 |
| Prepaid tax | | **102** | 501 |
| Pledged deposits | | **1,630** | 22,589 |
| Time deposits over three months | | **–** | 30,000 |
| Cash and cash equivalents | | **44,124** | 92,177 |
| | | **81,555** | 204,080 |
| **Current liabilities** | | | |
| Trade payables | *13* | **18,587** | 89,114 |
| Accrued charges, deposits received and other payables | | **27,910** | 32,155 |
| Contract liabilities | | **13,661** | 33,809 |
| Financial liabilities at fair value through profit or loss | | **–** | 60 |
| Amounts due to associates | | **219** | 8,338 |
| Bank borrowings | *14* | **2,926** | 3,412 |
| Lease liabilities | | **18,782** | – |
| Provision for tax | | **513** | 474 |
| | | **82,598** | 167,362 |
| **Net current (liabilities)/assets** | | **(1,043)** | 36,718 |
| **Total assets less current liabilities** | | **116,333** | 166,654 |

| | Notes | **2020** **HK$'000** | 2019 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred tax liabilities | *7* | **51** | 56 |
| Lease liabilities | | **5,251** | – |
| | | **5,302** | 56 |
| **Net assets** | | **111,031** | 166,598 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | *15* | **5,099** | 5,099 |
| Reserves | | **105,752** | 162,635 |
| | | **110,851** | 167,734 |
| **Non-controlling interests** | | **180** | (1,136) |
| **Total equity** | | **111,031** | 166,598 |

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

*For the year ended 31 March 2020*

### 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, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company and its subsidiaries 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 the 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.

### 2. BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 March 2020 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements also include the required disclosure of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

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

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

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

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

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

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

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

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

## 3. ADOPTION OF NEW AND REVISED HKFRSS

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

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

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

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

**HKFRS 16 – Leases**

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

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

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

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

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

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

| | ***HK$'000*** |
|---|---|
| **Reconciliation of operating lease commitment to lease liabilities** | |
| Operating lease commitment as of 31 March 2019 | 48,197 |
| *Less:* short-term leases for which lease terms end within 31 March 2020 and excluded leases with extension option which the Group considers reasonably certain to exercise | (2,669) |
| *Less:* future interest expenses | (1,864) |
| Total lease liabilities as of 1 April 2019 | 43,664 |

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

***(ii) The new definition of a lease***

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

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

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

### *(iii) Accounting as a lessee*

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

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-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value.

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

*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.

*Lease modification*

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

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

***(iv) Accounting as a lessor***

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

***(v) Transition***

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

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

The Group has elected, on a lease-by-lease basis, to measure the right-of-use assets at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of 1 April 2019. For all these right-of-use assets, the Group has applied HKAS 36 "Impairment of Assets" at 1 April 2019 to assess if there was any impairment as on that date.

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

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

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

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

*Amendments to HKFRS 9 – Prepayment Features with Negative Compensation*

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

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

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

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

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

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

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

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

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

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

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

***Amendments to HKFRS 3 – Definition of a business***

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

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

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

***Amendments to HKAS 1 and HKAS 8 – Definition of material***

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

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

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

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

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

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

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

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

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

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

The Group's principal activities are provision of services relating to sales of air-tickets, hotel accommodation and other travel/wedding related products, sales of package tours, property investment and investment in treasury activities. An analysis of the Group's revenue from principal activities, other income and gains is as follows:

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

*Note:*

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

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

**Segment information**

The executive directors have identified the Group's operating segments as follows. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

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

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

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

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

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

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

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

## 5. LOSS FROM OPERATIONS

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

* Depreciation expenses of owned property, plant and equipment have been included in:
- selling and distribution costs of approximately HK$1,090,000 for the year (2019: HK$1,502,000); and
- administrative expenses of approximately HK$2,482,000 for the year (2019: HK$4,256,000).

** Depreciation expenses of right-of-use assets have been included in:
- selling and distribution costs of approximately HK$19,610,000 for the year (2019: Nil); and
- administrative expenses of approximately HK$5,915,000 for the year (2019: Nil).

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

## 6. FINANCE COSTS

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

## 7. INCOME TAX EXPENSE/(CREDIT) AND DEFERRED TAX

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

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

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the years ended 31 March 2019 and 2020, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rate regime and is calculated at 8.25% on the first HK$2 million of estimated assessable profits and at 16.5% for the portion of the estimated assessable profits above HK$2 million.

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

*Note:*

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

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

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

## 8. DIVIDENDS

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

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

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

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

## 9. LOSS PER SHARE

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

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

## 10. INVESTMENT PROPERTIES

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

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

*Notes:*

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

(b) The fair value of the Group's investment properties as at 31 March 2020 and 2019 was arrived at on the basis of the valuation carried out as at that date by B.I. Appraisals Limited, an independent qualified professional valuer not connected to the Group. B.I. Appraisals Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experience in the valuation of properties in the relevant location.

## 11. TRADE RECEIVABLES

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

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

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

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

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

## 13. TRADE PAYABLES

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

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

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

## 14. BANK BORROWINGS

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

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

The current liabilities include bank borrowings of approximately HK$2,427,000 (2019: HK$2,926,000) that are not scheduled for repayment within one year. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion.

## 15. SHARE CAPITAL

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

## DIVIDEND

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

## CLOSURE OF REGISTER OF MEMBERS FOR AGM

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

## MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

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

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

## BUSINESS REVIEW

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

The Group's online business is operated through the online trading platform www.texpert.com that focused on selling travel products like theme park tickets, train and bus tickets and etc. During the year, like the FIT business operated by Travel Expert, the online business faced similar significant challenges. It was also hit hard by the outbreak of COVID-19. Strict travel restrictions made its sales dropped to an unprecedented level. The recovery of its business will largely depend on the duration and the extend of negative impacts of the epidemic, which remain uncertain. Nevertheless, the Group will continue to closely monitor the epidemic evolution and react proactively to the market situation.

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

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

## FINANCIAL REVIEW

### Selling and Distribution Costs

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

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

**Administrative Expenses**

For the year ended 31 March 2020, administrative expenses amounted to HK$83.0 million, representing an increase of 10.2% from HK$75.3 million for the last year. Administrative expenses accounted for 50.5% of the Group's total gross profit, which increased from 35.4% in the last year. The increase was mainly due to the total impairment losses approximately HK$22.6 million for the year (please refer to note 5 to the Consolidated Financial Information above for details).

Salaries for back office staff and the office rental accounted for the majority of the Group's administrative expenses. Currently, the Group has one back office location in Hong Kong and one in Shenzhen. With our efforts, we managed to control the overall administrative expenses at a more reasonable level. In view of the increasing operating cost pressure, the Group will continue to adopt effective control measures of administrative expenses by better allocation of its back office resources and streamlining existing working process.

**Finance Costs**

Finance costs of the Group for the year was HK$1.7 million, of which as to HK$71,000 was related to the interest-bearing bank borrowing of mortgage loans for the Group's properties (2019: HK$172,000) and as to HK$1.6 million was related to the interest on lease liabilities due to adoption of HKFRS 16 from 1 April 2019 (2019: Nil).

**Liquidity, Financial Resources and Capital Resources**

The Group generally finances its liquidity requirements through internally generated resources and will only finance with available banking facilities whenever necessary. For the year ended 31 March 2020, the Group had a significant operating cash outflow of approximately HK$63.3 million and the net assets value was HK$111.0 million (as at 31 March 2019: HK$166.6 million). Including the time deposits over three months, the Group had total cash and cash equivalents of HK$44.1 million as at 31 March 2020 (as at 31 March 2019: HK$122.2 million). As at 31 March 2020, the Group had investment properties of HK$84.9 million (as at 31 March 2019: HK$88.8 million) and the Group had not held a portfolio of financial assets at fair value through profit or loss (as at 31 March 2019: HK$13.7 million). To improve the liquidity and financial position, the management has been implementing various measures to reduce operating costs and identifying opportunities to realise certain non-current assets of the Group.

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

**Contingent Liabilities**

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

**Capital Commitments**

As at 31 March 2020, the Group's commitments in respect of capital expenditure were contracted but not provided for the acquisition of property, plant and equipment of approximately HK$211,000 (as at 31 March 2019: HK$176,000).

**Pledge of Assets**

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

**Foreign Exchange Risks and Treasury Policies**

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

**Human Resources and Employee's Remuneration**

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

**Event after the Reporting Period**

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

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

## OUTLOOK

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

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

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

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

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

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

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

During the year ended 31 March 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## CORPORATE GOVERNANCE

During the year ended 31 March 2020, 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 of Hong Kong Limited (the "Listing Rules").

## EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's annual financial statements for the year ended 31 March 2020:

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

### Material Uncertainty Related to Going Concern

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

## REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed and discussed with the management and the Company's external auditors the annual results of the Group for the year ended 31 March 2020.

## 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 for the year ended 31 March 2020.

## PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement of the Group for the year ended 31 March 2020 is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.tegroup.com.hk. The annual 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, 29 June 2020

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