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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 2020**

FINANCIAL HIGHLIGHTS

- Total customer sales proceeds for the period was HK\$18.1 million, representing a decrease of 97.2% from HK\$636.0 million for the corresponding period last year.
- Revenue for the period was HK\$2.6 million, representing a decrease of 98.4% from HK\$158.2 million for the corresponding period last year.
- The loss for the period attributable to owners of the Company was HK\$19.4 million (2019: HK\$12.2 million).
- Loss per share attributable to owners of the Company for the period was HK3.8 cents (2019: HK2.4 cents)
- The Board has resolved not to declare an interim dividend for the six months ended 30 September 2020 (2019: 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 2020 together with comparative figures.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended	
		30 September	
		2020	2019
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	4	2,576	158,188
Cost of sales		<u>(87)</u>	<u>(63,089)</u>
Gross profit		2,489	95,099
Other income and gains	4	21,034	6,001
Changes in fair value of investment properties	11	(2,189)	(1,823)
Selling and distribution costs		(14,485)	(75,464)
Administrative expenses		(24,979)	(33,497)
Share of losses of associates		(828)	(752)
Loss on disposal of financial assets/liabilities at fair value through profit or loss		(65)	(226)
Fair value gain/(loss) on financial assets/liabilities at fair value through profit or loss		<u>2</u>	<u>(256)</u>
Loss from operations	5	(19,021)	(10,918)
Finance costs	6	<u>(374)</u>	<u>(939)</u>
Loss before income tax		(19,395)	(11,857)
Income tax expense	7	<u>(30)</u>	<u>(87)</u>
Loss for the period		(19,425)	(11,944)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas subsidiary		<u>160</u>	<u>(306)</u>
Other comprehensive income for the period, net of tax		<u>160</u>	<u>(306)</u>
Total comprehensive income for the period		<u>(19,265)</u>	<u>(12,250)</u>

	Six months ended	
	30 September	
	2020	2019
	(unaudited)	(unaudited)
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period attributable to:		
Owners of the Company	(19,423)	(12,192)
Non-controlling interests	(2)	248
	<u>(19,425)</u>	<u>(11,944)</u>
Total comprehensive income for the period		
attributable to:		
Owners of the Company	(19,263)	(12,498)
Non-controlling interests	(2)	248
	<u>(19,265)</u>	<u>(12,250)</u>
Loss per share attributable to owners of		
the Company	8	
Basic and diluted	<u>HK(3.8) cents</u>	<u>HK(2.4) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	<i>Notes</i>	30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>10</i>	2,446	20,718
Investment properties	<i>11</i>	–	84,900
Interests in associates		–	8,369
Deposits		1,810	3,389
		<hr/>	<hr/>
Total non-current assets		4,256	117,376
Current assets			
Inventories		2,383	3,462
Trade receivables	<i>12</i>	195	2,199
Lease receivable		355	881
Prepayments, deposits and other receivables		14,857	29,022
Amount due from an associate		–	135
Financial assets at fair value through profit or loss		8,828	–
Prepaid tax		–	102
Pledged deposits		278	1,630
Cash and cash equivalents		31,873	44,124
		<hr/>	<hr/>
		58,769	81,555
Assets classified as held for sale		73,195	–
		<hr/>	<hr/>
Total current assets		131,964	81,555
Current liabilities			
Trade payables	<i>13</i>	7,647	18,587
Lease liabilities		10,038	18,782
Accrued charges, deposits received and other payables		15,635	27,910
Contract liabilities		7,468	13,661
Bank borrowing	<i>14</i>	–	2,926
Amount due to an associate		–	219
Provision for tax		526	513
		<hr/>	<hr/>
		41,314	82,598
Liabilities associated with assets classified as held for sale		95	–
		<hr/>	<hr/>
Total current liabilities		41,409	82,598

		30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
Net current assets/(liabilities)		<u>90,555</u>	<u>(1,043)</u>
Total assets less current liabilities		<u>94,811</u>	<u>116,333</u>
Non-current liabilities			
Deferred tax liabilities		–	51
Lease liabilities		<u>3,045</u>	<u>5,251</u>
Total non-current liabilities		<u>3,045</u>	<u>5,302</u>
Net assets		<u><u>91,766</u></u>	<u><u>111,031</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		5,099	5,099
Reserves	15	<u>86,489</u>	<u>105,752</u>
Non-controlling interests		<u>91,588</u>	<u>110,851</u>
		<u>178</u>	<u>180</u>
Total equity		<u><u>91,766</u></u>	<u><u>111,031</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 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, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Group is located at 9/F., LiFung Tower, 868 Cheung Sha Wan Road, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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

The condensed consolidated interim financial statements for the six months ended 30 September 2020 were approved and authorised for issue by the Board on 26 November 2020.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 September 2020 have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 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 2020.

In early 2020, the outbreak of the Coronavirus Disease 2019 ("COVID-19") created unprecedented pressure for travel industry. Precautionary and control measures have since been implemented in various countries, which included entry restrictions and quarantine measures over international travel. This situation of the pandemic has still been precarious and the Group recorded a loss of approximately HK\$19,425,000 and operating cash outflows of approximately HK\$33,113,000 during the six months ended 30 September 2020.

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. Nevertheless, the Directors have adopted going concern basis in the preparation of the condensed consolidated financial statements of the Group.

In view of these circumstances and the impact of COVID-19 pandemic, 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 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, 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 wages subsidies under the Employment Support Scheme launched by The Government of the Hong Kong Special Administrative Region; and (iv) plans to realise non-current assets of the Group, including the disposal of a property holding subsidiary for a cash consideration of HK\$74,800,000 which had been completed and received in late October 2020.

The Directors have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of eighteen months from 30 September 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 and the COVID-19 related subsidies. 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, believe that the Group will have sufficient financial resources to operate as a going concern notwithstanding that the assessment of going concern basis of accounting is dependent upon certain management assumptions and judgements, in particular the timing of uplifting the entry restrictions and quarantine measures, and the successful implementation of the aforementioned measures on liquidity. Accordingly, the Directors consider that it is appropriate to prepare the Group's condensed consolidated interim financial statements on a going concern basis.

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. 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 2020, except for the adoption of the new and amended Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations effective for the first time for annual periods beginning on 1 April 2020.

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 adoption of these new and amended HKFRSs did not have any material impact on the Group's accounting policies and the Directors considered that the changes are not material to the Group's results of operations or financial position.

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

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

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

	Six months ended 30 September	
	2020	2019
	(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 (<i>note</i>)	2,269	78,671
Sales of package tours (<i>note</i>)	–	78,972
	<u>2,269</u>	<u>157,643</u>
Revenue from other source		
Rental income from investment properties	307	545
	<u>2,576</u>	<u>158,188</u>
Other income and gains		
Rental income from a third party	184	168
Interest income on deposits in banks and financial institutions stated at amortised cost	88	1,013
Interest income on debt securities	–	93
Sponsorship and joint advertising income	635	3,753
Financial income on the net investment in a sub-lease agreement	11	41
Exchange gain	–	31
Dividend income from listed securities	31	113
Government grants	10,688	–
Gain on lease modifications	3,237	–
Gain on disposal of property, plant and equipment	3,830	–
Gain on disposal of investment properties	2,000	–
Sundry income	330	789
	<u>21,034</u>	<u>6,001</u>
Total revenue, other income and gains	<u>23,610</u>	<u>164,189</u>

Note:

Total sales proceeds from customers

	Six months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Gross sales proceeds related to provision of service relating to sales of travel/wedding related products*	18,057	556,994
Sales of package tours	–	78,972
	<u>18,057</u>	<u>635,966</u>
Total sales proceeds from customers	<u>18,057</u>	<u>635,966</u>

* *The Group's gross sales proceeds from provision of services relating to sales of travel/wedding related products, includes the air tickets, hotel accommodation and other travel/wedding related products, are considered as cash collected and receivable 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		Rental income from investment properties		Treasury activities		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September		30 September	
	2020	2019	2020	2019	2020	2019	2020	2019
(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue								
From external customers	2,269	157,643	307	545	-	-	2,576	158,188
Reportable segment revenue	2,269	157,643	307	545	-	-	2,576	158,188
Reportable segment (loss)/profit	(13,527)	(5,727)	8	(2,298)	(96)	(678)	(13,615)	(8,703)

Interest income	88	998	-	-	-	108	88	1,106
Changes in fair value of investment properties	-	-	(2,189)	(1,823)	-	-	(2,189)	(1,823)
Gain on disposal of investment properties	-	-	2,000	-	-	-	2,000	-
Finance costs	(338)	(901)	(36)	(38)	-	-	(374)	(939)
Dividend income	-	-	-	-	31	113	31	113
Depreciation on property, plant and equipment	(3,172)	(14,073)	(148)	(468)	-	-	(3,320)	(14,541)
Impairment loss on property, plant and equipment	(1,856)	(942)	-	-	-	-	(1,856)	(942)
Loss on disposal of financial assets/ liabilities at fair value through profit or loss	-	-	-	-	(65)	(226)	(65)	(226)
Fair value gain/(loss) on financial assets/ liabilities through profit or loss	-	-	-	-	2	(256)	2	(256)
Share of loss of an associate	-	(60)	-	-	-	-	-	(60)

	Travel and travel/wedding related business		Rental income from investment properties		Treasury activities		Total	
	At	At	At	At	At	At	At	At
	30 September	31 March	30 September	31 March	30 September	31 March	30 September	31 March
	2020	2020	2020	2020	2020	2020	2020	2020
(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Reportable segment assets	52,431	88,116	73,296	101,068	9,878	334	135,605	189,518
Additions to non-current segment assets during the period/year	2,156	9,030	204	27	-	-	2,360	9,057
Reportable segment liabilities	41,574	79,368	2,005	6,845	60	30	43,639	86,243

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	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Reportable segment revenue	<u>2,576</u>	<u>158,188</u>
Group revenue	<u>2,576</u>	<u>158,188</u>
Reportable segment loss	(13,615)	(8,703)
Share of loss of associates	(828)	(692)
Other corporate expenses	(4,952)	(2,462)
Loss before income tax	<u>(19,395)</u>	<u>(11,857)</u>
	At	At
	30 September	31 March
	2020	2020
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Reportable segment assets	135,605	189,518
Other corporate assets	615	9,413
Group assets	<u>136,220</u>	<u>198,931</u>
Reportable segment liabilities	43,639	86,243
Other corporate liabilities	815	1,657
Group liabilities	<u>44,454</u>	<u>87,900</u>

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 30 September	At 31 March
	2020	2019	2020	2020
	(unaudited)	(unaudited)	(unaudited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (domicile)	2,519	158,133	4,225	117,326
The People's Republic of China (the "PRC") excluding Hong Kong	57	55	31	50
	<u>2,576</u>	<u>158,188</u>	<u>4,256</u>	<u>117,376</u>

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	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Loss from operations is arrived at after charging/(crediting):		
Depreciation expenses of:		
– owned property, plant and equipment*	1,084	1,859
– right-of-use assets included within:**		
– office equipment	128	128
– leasehold land and buildings	142	437
– other properties leased for own use	1,966	12,117
	3,320	14,541
(Gain)/loss on disposal of:		
– right-of-use assets included within:		
– leasehold land and buildings	(3,830)	–
– other properties leased for own use	–	256
– investment properties	(2,000)	–
– an associate	3,527	–
	(2,303)	256
Impairment loss on:		
– owned property, plant and equipment	125	8
– right-of-use assets included within other properties leased for own use	1,731	934
– assets classified as held for sale	2,984	–
	4,840	942
Net foreign exchange loss/(gain)	100	(31)
Short-term lease expenses	872	5,056
Variable lease payments not included in the measurement of lease liabilities	20	49
Staff costs (including Directors' remuneration)		
– Salaries	19,528	60,468
– Retirement scheme contribution	886	2,533
	20,414	63,001

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

- selling and distribution costs of approximately HK\$1,000 for the six months ended 30 September 2020 (six months ended 30 September 2019: HK\$638,000); and
- administrative expenses of approximately HK\$1,083,000 for the six months ended 30 September 2020 (six months ended 30 September 2019: HK\$1,221,000).

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

- selling and distribution costs of Nil for the six months ended 30 September 2020 (six months ended 30 September 2019: HK\$9,670,000); and
- administrative expenses of approximately HK\$2,236,000 for the six months ended 30 September 2020 (six months ended 30 September 2019: HK\$3,012,000).

6. FINANCE COSTS

	Six months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interests on bank borrowing	36	38
Interest on lease liabilities	338	901
	<u>374</u>	<u>939</u>

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax – Hong Kong – Tax for the period	82	153
Deferred tax	(52)	(66)
	<u>30</u>	<u>87</u>

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 2019 and 2020 respectively.

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the six months ended 30 September 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.

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\$19,423,000 (six months ended 30 September 2019: HK\$12,192,000) and the weighted average number of ordinary shares in issue of 509,859,000 (six months ended 30 September 2019: 509,859,000) during the period.

Diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares outstanding during the periods.

9. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group incurred capital expenditures of approximately HK\$115,000 (six months ended 30 September 2019: HK\$390,000) in leasehold improvements, approximately HK\$32,000 (six months ended 30 September 2019: HK\$298,000) in office equipment, and Nil (six months ended 30 September 2019: HK\$7,000) in furniture and fixtures. Items of leasehold land and buildings with a net book value of HK\$14,958,000 were disposed of during the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

In addition, the Group has entered into several leases for premises in Hong Kong during the six months ended 30 September 2020. Right-of-use assets included within other properties leased for own use amounted to HK\$1,731,000 has been recognised for the current period.

During the six months ended 30 September 2020, 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\$1,856,000 (six months ended 30 September 2019: HK\$942,000) was recognised and charged to the consolidated statement of comprehensive income for six months ended 30 September 2020. 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 ranged from 12% to 22% (six months ended 30 September 2019: 8%).

11. INVESTMENT PROPERTIES

	30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
At beginning of the period/year	84,900	88,800
Additions	189	23
Disposals	(6,900)	–
Changes in fair value of investment properties	(2,189)	(3,923)
Classified as asset held for sale	(76,000)	–
	<hr/> – <hr/>	<hr/> 84,900 <hr/>
At end of the period/year	–	84,900

The fair value of the Group's investment properties classified as asset held for sale as at 30 September 2020 and investment properties as at 31 March 2020 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.

12. TRADE RECEIVABLES

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

	30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
0 – 30 days	102	1,420
31 – 90 days	5	315
Over 90 days	88	464
	<hr/> 195 <hr/>	<hr/> 2,199 <hr/>

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 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
0 – 30 days	1,168	9,211
31 – 90 days	597	3,568
Over 90 days	5,882	5,808
	<u>7,647</u>	<u>18,587</u>

14. BANK BORROWING

	30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
Secured bank borrowing:		
Portion due for repayment within one year	–	499
Portion due for repayment after one year which contains a repayable on demand clause	–	2,427
	<u>–</u>	<u>2,926</u>

As at 31 March 2020, the Group's interest-bearing bank borrowing of approximately HK\$2,926,000 bore interest at a floating rate of 3.1% per annum below Hong Kong Dollar Prime Rate. The current liabilities included bank borrowing of approximately HK\$2,427,000 that was not scheduled for repayment within one year. They were 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 borrowing was secured by the corporate guarantee provided by the Company and the Group's leasehold land and buildings of approximately HK\$15,100,000 and an investment property of approximately HK\$6,900,000 as at 31 March 2020.

15. SHARE CAPITAL

	30 September 2020		31 March 2020	
	Number of shares '000	Amount (unaudited) HK\$'000	Number of shares '000	Amount (audited) HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>2,000,000</u>	<u>20,000</u>	<u>2,000,000</u>	<u>20,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<u>509,859</u>	<u>5,099</u>	<u>509,859</u>	<u>5,099</u>

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2020 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the six months ended 30 September 2020 (the “Period”), as indicated in the profit warning announcement and the profit warning supplemental announcement issued by the Company on 8 October 2020 and 13 November 2020 respectively, the results attributable to owners of the Company for the Period declined significantly as compared to the corresponding period last year due to the outbreak of Coronavirus Disease 2019 (“COVID-19”). The Group’s total customer sales proceeds for the Period was HK\$18.1 million, representing a decrease of 97.2% as compared with HK\$636.0 million for the corresponding period last year. The total revenue for the Period was HK\$2.6 million (2019: HK\$158.2 million), representing a decrease of 98.4% over the corresponding period last year. The loss for the Period attributable to the owners of the Company was HK\$19.4 million (2019: HK\$12.2 million) and loss per share attributable to owners of the Company for the Period was HK3.8 cents (2019: HK2.4 cents). The Board has resolved not to declare an interim dividend for the Period (2019: 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. During the Period, the outbreak of COVID-19 pandemic has caused unprecedented impact on business operations of this business line. To slowdown the spread of COVID-19, governments around the world imposed strict travel restrictions and compulsory quarantine orders. Customers cancelled or delayed unnecessary travel plans. The sales and revenue of this business line dropped drastically to record low level. In response to this unprecedented challenge, the Group implemented a number of cash preservation measures. To preserve working capital to survive the storm, we streamlined the branch network, negotiated with landlords for rental reduction and reduced staff costs.

The Group’s online business is operated through the online trading platform www.texpert.com that focused on selling travel products like tickets of theme park, train, bus, boat and etc. During the Period, we slowed down the system enhancement plan for this business line so as to maintain liquidity and preserve cash.

The Group’s tour operation is mainly 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 Period, package tours of this business line have been adversely affected due to vigorous measures introduced by governments all over the world. To cope with this extremely challenging operation environment, this business line strived to improve operational and cost efficiencies by continuously and closely monitoring costs and streamlining work processes. With a view to enhance our competitiveness and service quality, this business line also conducted various training programs for the Group’s frontline staff to equip them with product knowledge, selling skills and service quality.

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, the business recorded a slight 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

Other Income and Gains

Total other income and gains increased significantly by HK\$15.0 million from HK\$6.0 million for the six months ended 30 September 2019 to HK\$21.0 million for the Period. Such increase was primarily attributed to the recognition of government grants of HK\$10.7 million, gain on lease modifications of HK\$3.2 million, gain on disposal of property, plant and equipment of HK\$3.8 million and gain of disposal of investment properties of HK\$2.0 million during the Period, whereas no such items were recorded in the corresponding period last year.

Selling and Distribution Costs

For the Period, selling and distribution costs amounted to HK\$14.5 million, representing a decrease of 80.8% from HK\$75.5 million for the corresponding period last year.

The global outbreak of COVID-19 has deeply impacted on the Group's business. The decrease of selling and distribution costs was mainly due to (i) reduction of frontline staff cost that was contributed by the reduction of frontline headcounts and less sales commission expenses and other staff costs; (ii) decrease in advertising and promotion activities; (iii) decrease in credit card charges on sales proceeds; and (iv) decrease in depreciation on right-of-use assets and rents related to retail premises. During the Period, in response to the challenging operating operation environment due to the outbreak of COVID-19, we further 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. The Group will also adopt other measures to maintain both the competitiveness and cost effectiveness of its branch network in accordance with market conditions. As at 30 September 2020, the Group operated a total of 19 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\$25.0 million, representing a decrease of 25.4% from HK\$33.5 million for the corresponding period last year which was mainly due to the decrease in staff costs (including salaries and bonus) and various other operating 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. In order to retain our strength through managing our costs and working capital by preserving cash in this difficult time, the Group will continue to adopt strict cost control measures on administrative expenses by better allocation of back office resources and streamlining existing working process.

Finance Cost

Finance cost of the Group for the Period was HK\$374,000, of which as to HK\$36,000 was related to the interest-bearing bank borrowing (2019: HK\$38,000) and as to HK\$338,000 was related to the interest on lease liabilities (2019: HK\$901,000).

Liquidity, Financial Resources and Capital Resources

The Group generally finances its liquidity requirements through internally generated resources and will only finance with available banking facilities whenever necessary. For the Period, the Group had a significant operating cash outflow of approximately HK\$33.1 million and the net assets value of HK\$91.8 million (as at 31 March 2020: HK\$111.0 million). The Group had total cash and cash equivalents of HK\$31.9 million as at 30 September 2020 (as at 31 March 2020: HK\$44.1 million). As at 30 September 2020, the Group had investment property of HK\$73.0 million included in the assets held for sale as compared to the investment properties of HK\$84.9 million as at 31 March 2020. The Group had a portfolio of financial assets at fair value through profit or loss of HK\$8.8 million as at 30 September 2020 (as at 31 March 2020: Nil).

As at 30 September 2020, the Group did not have any outstanding bank borrowing. As at 31 March 2020, the gearing ratio (interest-bearing bank borrowings divided by total equity) was 2.6%.

Contingent Liabilities

The Group did not have any contingent liabilities as at 30 September 2020.

Capital Commitments

As at 30 September 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\$82,000 (as at 31 March 2020: HK\$211,000).

Pledge of Assets

As at 30 September 2020, the Group's investment property of approximately HK\$73.0 million (which was classified as asset held for sale) and bank deposit of HK\$0.3 million were pledged to secure banking facilities granted to the Group (as at 31 March 2020: investment properties of HK\$84.9 million, leasehold land and building of HK\$15.1 million and bank deposit of HK\$1.6 million).

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 loss of HK\$100,000 was recorded (2019: exchange gain of HK\$31,000).

Human Resources and Employee's Remuneration

As at 30 September 2020, the Group had a total workforce of 227 (as at 31 March 2020: 237), of which about 57% 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 22 July 2020, the Group entered into a provisional agreement for sale and purchase with an independent third party (the "Purchaser") pursuant to which the Group agreed to sell and the Purchaser agreed to purchase the entire issued share of Champion Gate Limited, an indirect wholly-owned subsidiary of the Company at the consideration of HK\$74.8 million. The details of the transaction were set out in the circular dated 21 August 2020 published by the Company. The sale and purchase transaction was completed on 28 October 2020.

On 9 October 2020, the Group entered into a tenancy agreement (the "Tenancy Agreement") with an independent third party in respect of the leasing of the Group's new headquarters and the unaudited value of the right-of-use asset to be recognized by the Group under the Tenancy Agreement amounted to approximately HK\$7.92 million, which is the present value of total rental payable at the inception of the lease term under the terms of the Tenancy Agreement in accordance with HKFRS 16 as issued by the Hong Kong Institute of Certified Public Accountants. The details of the Tenancy Agreement were set out in the announcement dated 9 October 2020 published by the Company.

OUTLOOK

The outbreak of COVID-19 has spread all over the world and negatively impacted on the global economies. The business environment is expected to be more challenging than ever. In view of the uncertainty caused by COVID-19, the top priority of the Group's management is to manage our costs and working capital to navigate the storm. To enable us to retain strength for the Group's sustainable development, the Group will continue to carry out a number of cost saving measures, including reducing staff and other operating costs, negotiating with landlords to obtain rental relief and streamlining the branch network.

Although no one can predict when the COVID-19 pandemic will be brought under control and the travel and tourism will be recovered, we are glad to know that recently scientists and world's largest pharmaceutical companies are developing potential vaccines for COVID-19 and undergoing tests. If an effective vaccine could be ready by mid-2021, we hope that the travel industry will be recovered gradually by the end of next year.

With the enhanced financial position after disposals of the Group's investment property in Han Chung Mansion at Tsim Sha Tsui and 20% equity interest in an associate company during the Period as well as the completion of the disposal of an indirect wholly owned subsidiary in October 2020 as set out in the section headed "Event after the Reporting Period" above, the management is of the view that the Group have sufficient working capital to support the Group's operation needs. We will continue use our utmost efforts to maintain the Group's operation by adopting proactive and forward-looking measures.

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

During the six months ended 30 September 2020, 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 (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save as disclosed below.

Under code provision A.1.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to all Directors to give them an opportunity to attend. During the Period, regular meetings were held in line with the meeting schedule as planned in the preceding year. Two unscheduled supplementary meetings were convened with less than 14 days' notice to facilitate the Directors' timely reaction and expeditious decision making process in respect of disposals of an investment property and an indirect wholly owned subsidiary. Nevertheless, all Board meetings were duly convened and held according to the relevant requirements of the Articles of Association of the Company. The Board will use reasonable endeavour to meet the requirement of code provision A.1.3 of the CG Code in future.

EXTRACT OF THE INDEPENDENT AUDITOR'S REVIEW REPORT

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Emphasis of Matter – Material Uncertainty Related to Going Concern

Without qualifying our conclusion, we draw attention to note 2 to the condensed consolidated interim financial statements, which indicates that the Group recorded a loss for the Period of approximately HK\$19,425,000 and operating cash outflows of approximately HK\$33,113,000 during the period of six months ended 30 September 2020. These conditions, along with other matters as set forth in note 2 to the condensed consolidated interim financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

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, 26 November 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.