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 2016

FINANCIAL HIGHLIGHTS

- Total customer sales proceeds for the period was HK$901.3 million, representing a decrease of 10.9% from HK$1,011.1 million for the corresponding period last year.
- Revenue for the period was HK$174.3 million, representing a decrease of 12.6% from HK$199.5 million for the corresponding period last year.
- Excluding the revaluation loss of property and non-controlling interest, the profit for the period was HK$7.5 million, representing a decrease of 66.5% from HK$22.4 million for the corresponding period last year.
- Overall, the Group's loss for the period was HK$0.8 million, representing a decrease of 103.9% from the profit of HK$20.6 million for the corresponding period last year.
- Earnings per share attributable to owners of the Company for the period was HK0.2 cents, representing a decrease of 95.5% from HK4.4 cents for the corresponding period last year.
- The Board has resolved not to declare an interim dividend for the six months ended 30 September 2016 (2015: HK1.5 cents per ordinary share).

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 2016 together with comparative figures.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016

		Six months ended 30 September	
		2016	2015
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*5*	**174,307**	199,508
Cost of sales		**(26,237)**	(22,250)
Gross profit		**148,070**	177,258
Other income and gains	*5*	**5,161**	6,836
Changes in fair value of investment property	*12*	**(6,600)**	–
Selling and distribution costs		**(109,579)**	(121,849)
Administrative expenses		**(35,436)**	(36,157)
Gain on disposal of financial assets/liabilities at fair value through profit or loss		**133**	318
Fair value loss on financial assets/liabilities at fair value through profit or loss		**(5)**	(408)
Profit from operations	*6*	**1,744**	25,998
Finance costs	*7*	**(247)**	(227)
Profit before income tax		**1,497**	25,771
Income tax expense	*8*	**(2,315)**	(5,129)
(Loss)/profit for the period		**(818)**	20,642
Other comprehensive income, that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas subsidiaries		**(145)**	(110)
Other comprehensive income for the period, net of tax		**(145)**	(110)
Total comprehensive income for the period		**(963)**	20,532

	Notes	Six months ended 30 September **2016** **(unaudited)** ***HK$'000***	2015 (unaudited) *HK$'000*
(Loss)/profit for the period attributable to:			
Owners of the Company		**898**	22,414
Non-controlling interests		**(1,716)**	(1,772)
		(818)	20,642
Total comprehensive income for the period attributable to:			
Owners of the Company		**753**	22,304
Non-controlling interests		**(1,716)**	(1,772)
		(963)	20,532
Earnings per share attributable to owners of the Company	*9*		
— Basic		**HK 0.2 cents**	HK 4.4 cents
— Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Notes	**30 September 2016 (unaudited)** *HK$'000*	31 March 2016 (audited) *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**79,203**	82,825
Investment property	*12*	**54,000**	60,600
Goodwill		**445**	445
Deposits		**7,431**	6,731
		141,079	150,601
Current assets			
Inventories		**10,348**	1,978
Trade receivables	*13*	**11,380**	9,910
Prepayments, deposits and other receivables		**38,168**	30,612
Financial assets at fair value through profit or loss		**1,495**	20,277
Prepaid tax		**1,940**	3,325
Pledged deposits		**–**	307
Time deposits over three months		**70,066**	80,168
Cash and cash equivalents		**74,748**	114,212
		208,145	260,789
Current liabilities			
Trade payables	*14*	**112,220**	140,021
Accrued charges, deposits received and other payables		**45,068**	53,347
Bank borrowings	*15*	**21,890**	33,573
Financial liabilities at fair value through profit or loss		**–**	31
Provision for tax		**514**	627
		179,692	227,599
Net current assets		**28,453**	33,190
Total assets less current liabilities		**169,532**	183,791
Non-current liabilities			
Deferred tax liabilities		**570**	–
		570	–
Net assets		**168,962**	183,791

	Notes	**30 September 2016 (unaudited) *HK$'000***	31 March 2016 (audited) *HK$'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital	*16*	**5,136**	5,136
Reserves		**168,336**	181,450
		173,472	186,586
Non-controlling interests		**(4,510)**	(2,795)
Total equity		**168,962**	183,791

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2016

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, Kowloon Plaza, No. 485 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The condensed consolidated interim financial statements for the six months ended 30 September 2016 were approved and authorized for issue by Board on 23 November 2016.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 September 2016 have been prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 2016.

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 2016, except for the adoption of the new and amended Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations for annual periods beginning on 1 April 2016.

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 result in material changes to 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. SEGMENT INFORMATION

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

	Travel and travel/wedding related business		Rental income from investment property		Treasury activities		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue								
From external customers	**173,167**	198,414	**1,140**	1,094	**–**	–	**174,307**	199,508
Reportable segment revenue	**173,167**	198,414	**1,140**	1,094	**–**	–	**174,307**	199,508
Reportable segment profit/(loss)	**7,395**	25,282	**(5,935)**	576	**407**	511	**1,867**	26,369
Interest income	**580**	1,033	**–**	–	**428**	452	**1,008**	1,485
Changes in fair value of investment property	**–**	–	**(6,600)**	–	**–**	–	**(6,600)**	–
Finance costs	**(63)**	(17)	**(184)**	(210)	**–**	–	**(247)**	(227)
Dividend income	**–**	–	**–**	–	**2**	68	**2**	68
Depreciation	**(5,279)**	(4,594)	**(1)**	(2)	**–**	–	**(5,280)**	(4,596)
Gain on disposal of financial assets/liabilities at fair value through profit or loss	**–**	–	**–**	–	**133**	318	**133**	318
Fair value loss on financial assets/liabilities through profit or loss	**–**	–	**–**	–	**(5)**	(408)	**(5)**	(408)

	Travel and travel/wedding related business		Rental income from investment property		Treasury activities		Total	
	At 30 September 2016	At 31 March 2016	**At 30 September 2016**	At 31 March 2016	**At 30 September 2016**	At 31 March 2016	**At 30 September 2016**	At 31 March 2016
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment assets	**270,009**	300,604	**54,055**	60,688	**22,541**	45,969	**346,605**	407,261
Additions to non-current segment assets during the period/year	**5,165**	45,459	**–**	–	**–**	–	**5,165**	45,459
Reportable segment liabilities	**161,361**	207,691	**16,830**	18,028	**31**	68	**178,222**	225,787

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	
	2016	2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Reportable segment revenue	**174,307**	199,508
Group revenue	**174,307**	199,508
Reportable segment profit	**1,867**	26,369
Share-based payments and other corporate expenses	**(370)**	(598)
Profit before income tax	**1,497**	25,771

	At	At
	30 September	31 March
	2016	2016
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Reportable segment assets	**346,605**	407,261
Other corporate assets	**2,619**	4,129
Group assets	**349,224**	411,390
Reportable segment liabilities	**178,222**	225,787
Other corporate liabilities	**2,040**	1,812
Group liabilities	**180,262**	227,599

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**	At
			30 September	31 March
	2016	2015	**2016**	2016
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (domicile)	**174,243**	199,472	**140,761**	150,188
The People's Republic of China (the "PRC") excluding Hong Kong	**64**	36	**318**	413
	174,307	199,508	**141,079**	150,601

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

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

5. REVENUE, OTHER INCOME AND GAINS

The Group's principal activities are the provision of services relating to the sale of air-tickets, hotel accommodation and other travel and travel/wedding related products, provision of package tours, property investment and the 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	
	2016	2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Revenue		
Service income from sales of travel/wedding related products *(note)*	**144,387**	173,435
Sales of package tours *(note)*	**28,780**	24,979
Rental income from investment property	**1,140**	1,094
	174,307	199,508
Other income and gains		
Interest income on deposits in banks and financial institutions stated at amortised cost	**580**	1,042
Interest income on debt securities	**428**	443
Dividend income from listed securities	**2**	68
Exchange gains	**–**	210
Sundry income	**4,151**	5,073
	5,161	6,836
Total revenue, other income and gains	**179,468**	206,344

Note:

Total customer sales proceeds

	Six months ended 30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Gross sales proceeds related to service income*	**872,561**	986,113
Sales of package tours	**28,780**	24,979
Total customer sales proceeds	**901,341**	1,011,092

* The Group's gross sales proceeds from sales of travel/wedding related products, includes the air tickets, hotel accommodation and other travel/wedding related products, are considered as cash collected on behalf of 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.

6. PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Profit from operations is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment*	**5,292**	4,596
Loss on disposal of property, plant and equipment	**123**	61
Changes in fair value of investment property	**6,600**	–
Net foreign exchange loss/(gain)	**595**	(210)
Operating lease charges in respect of leasehold premises		
— Minimum leases payments	**23,926**	24,925
— Contingent rents **	**34**	91
	23,960	25,016
Operating leases in respect of office equipment	**1,098**	1,321
Staff costs (including directors' remuneration)		
— Salaries	**83,204**	91,854
— Retirement scheme contribution	**3,608**	3,882
— Share-based payment expenses	**–**	93
	86,812	95,829

* Depreciation expenses have been included in:

— selling and distribution costs of approximately HK$1,798,000 for the six months ended 30 September 2016 (six months ended 30 September 2015: HK$1,819,000); and

— administrative expenses of approximately HK$3,494,000 for the six months ended 30 September 2016 (six months ended 30 September 2015: HK$2,777,000).

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

7. FINANCE COSTS

	Six months ended 30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interests on bank borrowings	**247**	227

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current tax — Hong Kong		
— Tax for the period	**1,745**	5,129
Deferred tax	**570**	–
	2,315	5,129

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 Cayman Islands and BVI during the six months ended 30 September 2015 and 2016 respectively.

Hong Kong profits tax is calculated at 16.5% (six months ended 30 September 2015: 16.5%) on the estimated assessable profits for the period.

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.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company of approximately HK$898,000 (six months ended 30 September 2015: HK$22,414,000) and the 513,579,000 (six months ended 30 September 2015: 513,579,000) weighted average number of ordinary shares in issue during the period.

No diluted earnings per share are presented as the exercise prices of the Company's outstanding options were higher than the average market price during the periods.

10. INTERIM DIVIDEND

	Six months ended 30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interim dividend declared	**–**	7,704

No interim dividend was declared for the six months ended 30 September 2016.

The Directors declared an interim dividend of HK1.5 cents per ordinary share for the six months ended 30 September 2015, amounting to approximately HK$7,704,000.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group incurred capital expenditures of approximately HK$862,000 (six months ended 30 September 2015: HK$450,000) in leasehold improvement, approximately HK$403,000 (six months ended 30 September 2015: HK$2,272,000) in office equipment, approximately HK$192,000 (six months ended 30 September 2015: HK$140,000) in furniture and fixtures, and approximately HK$336,000 (six months ended 30 September 2015: Nil) in wardrobe.

During the six months ended 30 September 2015, property, plant and equipment amounted to approximately HK$90,000 were acquired through business combination.

12. INVESTMENT PROPERTY

	30 September 2016 (unaudited)	31 March 2016 (audited)
	HK$'000	*HK$'000*
At beginning of the period/year	**60,600**	62,000
Changes in fair value of investment property	**(6,600)**	(1,400)
At end of the period/year	**54,000**	60,600

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

The fair value of the Group's investment property as at 30 September 2016 and 31 March 2016 was arrived at on the basis of the valuation carried out as at that date by B.I. Appraisals Limited, an independent qualified professional valuer not connected to the Group. B.I. Appraisals Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experience in the valuation of properties in the relevant location.

13. TRADE RECEIVABLES

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

	30 September 2016 (unaudited)	31 March 2016 (audited)
	HK$'000	*HK$'000*
0–30 days	**10,345**	7,736
31–90 days	**694**	2,004
Over 90 days	**341**	170
	11,380	9,910

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.

14. 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 2016 (unaudited) *HK$'000*	31 March 2016 (audited) *HK$'000*
0–30 days	**72,605**	90,195
31–90 days	**26,741**	34,149
Over 90 days	**12,874**	15,677
	112,220	140,021

15. BANK BORROWINGS

	Notes	**30 September 2016 (unaudited)** *HK$'000*	31 March 2016 (audited) *HK$'000*
Secured bank borrowings			
Portion due for repayment within one year	*(a)*	**3,467**	3,436
Portion due for repayment after one year which contain a repayable on demand clause	*(a)*	**18,423**	20,162
		21,890	23,598
Secured bank overdraft			
Portion due for repayment within one year	*(b)*	**–**	9,975
		21,890	33,573

Notes:

(a) The Group's interest-bearing bank borrowing of approximately HK$1,055,000 (31 March 2016: HK$1,330,000) bears interest at a floating rate of 1.75% per annum over 1 month HIBOR; and interest-bearing bank borrowing of approximately HK$4,585,000 (31 March 2016: HK$4,812,000) bears interest at a floating rate of 2.15% per annum below HKD prime are secured by the Group's land and buildings of approximately HK$68,880,000 (31 March 2016: HK$70,164,000) as at 30 September 2016.

The Group's interest-bearing bank borrowing of approximately HK$16,250,000 (31 March 2016: HK$17,456,000) bears interest at a floating rate of 2.85% per annum below HKD prime and is secured by the Group's investment property of approximately HK$54,000,000 (31 March 2016: HK$60,600,000) as at 30 September 2016 (Note 12).

The current liabilities include bank borrowings of approximately HK$18,423,000 (31 March 2016: HK$20,162,000) that are not scheduled for repayment within one year. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion.

The Group's interest-bearing bank borrowings are secured by the corporate guarantees or cross-guarantees provided by the Company and/or certain subsidiaries as at 31 March and 30 September 2016.

(b) As at 31 March 2016, the Group's bank overdraft of approximately HK$9,975,000 bears interest at a floating rate of 2.00% per annum over 1 month HIBOR were secured by the Group's land and buildings of approximately HK$70,164,000 as at 31 March 2016. The bank overdraft has been fully repaid during the period.

16. SHARE CAPITAL

	Number of shares	Amount
	'000	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 March 2016, 1 April 2016 and 30 September 2016	**2,000,000**	**20,000**
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 31 March 2016, 1 April 2016 and 30 September 2016	**513,579**	**5,136**

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2016 (2015: HK1.5 cents per ordinary share).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

As indicated in the profit warning announcement issued by the Company on 28 September 2016, the Group recorded a loss for the six months ended 30 September 2016 (the "Period"). The Group's total customer sales proceeds was HK$901.3 million for the Period, representing a decrease of 10.9% as compared with HK$1,011.1 million for the corresponding period last year. The total revenue for the Period decreased to HK$174.3 million (2015: HK$199.5 million), representing a decrease of 12.6% over the corresponding period last year. The drop in business performance was due to continuous slowing down of the retail market in Hong Kong and there is no obvious sign of recovery in the short run. Also, the intensified competition from online travel agencies and budget airlines exerted considerable pressure on the Group's gross profit.

In addition, the revaluation loss of HK$6.6 million in our investment property due to the general downward adjustment in Hong Kong retail property market also contributed to the drop in our bottom line. Excluding the revaluation loss of property and non-controlling interests, the profit for the Period attributable to owners of the Company had a decrease of 66.5% to HK$7.5 million (2015: HK$22.4 million). Overall, the Group's loss for the Period was HK$0.8 million, representing a decrease of 103.9% from the profit of HK$20.6 million for the corresponding period last year. Basic earnings per share attributable to owners of the Company for the Period was HK0.2 cents, representing a decrease of 95.5% from HK4.4 cents over the corresponding period last year. The Board has resolved not to declare an interim dividend for the Period (2015: HK1.5 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 Period, the performance was not satisfactory and recorded a drop in both customer sales proceeds and margin percentage. The continuing retail market slowdown and the weak consumption sentiment in Hong Kong adversely affected the travelling spending. In addition, the keen competition from online travel agencies and budget airlines presented a direct threat on the revenue and profit margin. In order to differentiate itself from these online sales platforms, it implemented new programs to improve the frontline services quality and increased product offerings so as to better serve customers and enhance their loyalty. To improve operational efficiency and productivity, this business brand has started the branch network streamline exercises. Some shops with lower operational efficiency have been closed. Facing the tough operating environment, it launched proactive marketing activities vigorously with an aim to drive sales growth.

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

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

The Group's corporate business is operated mainly through Travel Expert Business Services Limited (專業旅運商務有限公司) ("Travel Expert Business Services"). During the Period, its business performance was fairly stable. We noted that the continuing economic slowdown caused further reduction in corporate travel and staff spending that adversely affected the performance of this business line. The Group has taken appropriate measures to tackle the changing market environment in the corporate travel business and will continue to monitor its business performance.

The Group's tour operation is conducted by Premium Holidays Limited (尊賞假期有限公司) ("Premium Holidays"). It focuses on operating high-end long haul tours, cruise travel tours and MICE (meeting, incentive, conference and exhibition) businesses. During the Period, we allocated significant resources to support this business and launched marketing activities to further enhance its market awareness. Although it recorded an increase in the sales volume compared with the corresponding period of the last year, its performance was still not up to our expectation due to various external reasons, such as threats of terrorist attack in Western Europe and the outbreak of Zika virus infection in South America. Nevertheless, we are confident that the tours offered by this business brand are well suited for customers' needs and styles as its target customers are those who look for journeys that combined with different elements, e.g. fun, adventure and experience, rather than standard tour sights. Now, it has three retails shops at Tsimshatsui Han Chung Mansion, Causeway Bay Hang Lung Centre and Central Grand Building. With its dedicated team, we believe that this brand's business will be strengthened through the wide selections of the destinations, hotels, restaurants as well as quality services.

During the Period, the business of cruise holidays operated by Cruise Expert Limited (專業郵輪有限公司) ("Cruise Expert") recorded a strong increase in the sales result. Following the opening of Kai Tak Cruise Terminal in 2013, a growing number of cruise lines use Hong Kong as home port that have greatly promoted the cruise holidays concept in the past few years. More and more local customers become familiar with cruise holidays and we expect that this business brand will continue to grow.

The Group's wedding related business is conducted by Take My Hand Limited (緣動有限公司) ("Take My Hand"). During the Period, it recorded a significant business growth in terms of revenue. In May 2016, the business was granted a Travel Agent Licence which enabled it to offer one-stop wedding services and products including wedding planning services, event management, overseas wedding and travelling arrangements. It has committed to providing a wide range of products and services to customers and their relatives for touching and memorable events. In the coming months, it will continue to launch various marketing activities proactively to promote its business and brand name.

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"). This segment recorded a profit contribution to the Group during the Period. We will continue to closely monitor the market situation and make investment decisions prudently in order to help the Group to better utilize its surplus fund and contributed to its bottom line.

FINANCIAL REVIEW

Selling and Distribution Costs

For the Period, selling and distribution costs amounted to HK$109.6 million, representing a decrease of 10.0% from HK$121.8 million for the corresponding period last year. The selling and distribution costs accounted for 74.0% of the Group's total gross profit, having increased from 68.7% in the corresponding period last year.

The decrease of selling and distribution costs was mainly due to the reduction of frontline staff cost that was contributed by the reduction of frontline headcounts and less sales commission expenses. Also, there was a moderate decrease of the average rental of retail premises. During the Period, we worked hard to streamline our branch network in order to enhance the operational efficiency. Besides, the Group carried out strict cost control measures and managed to maintain a reasonable selling and distribution costs level. Despite the cost pressure, we will continue to maintain a widespread and effective sales network, which is one of our key competitive advantages, as well as exploring new sales channels. As at 30 September 2016, the Group operated a total of 60 retail shops in Hong Kong under the brand names of Travel Expert, Tailor Made Holidays, Premium Holidays, Cruise Expert and Take My Hand.

Administrative Expenses

For the Period, administrative expenses amounted to HK$35.4 million, representing a decrease of 2.2% from HK$36.2 million for the corresponding period last year. Administrative expenses accounted for 23.9% of the Group's total gross profit, which increased from 20.4% in the corresponding period last year.

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

Finance Cost

Finance cost of the Group for the Period was HK$247,000, which was mainly related to the interest-bearing bank borrowing of mortgage loans for the Group's properties (2015: HK$227,000).

Liquidity, Financial Resources and Capital Resources

The Group generally finances its liquidity requirements through internally generated resources and will only finance with available banking facilities whenever necessary. The Group's financial position as at 30 September 2016 remained healthy with net assets value of HK$169.0 million (as at 31 March 2016: HK$183.8 million). Including the time deposits over three months, the Group had total cash and cash equivalents of HK$144.8 million as at 30 September 2016 (as at 31 March 2016: HK$194.4 million). As at 30 September 2016, in addition to an investment property with fair value at HK$54.0 million (as at 31 March 2016: HK$60.6 million), the Group held a portfolio of financial assets and liabilities at fair value through profit or loss at around HK$1.5 million and nil respectively (as at 31 March 2016: HK$20.3 million and HK$31,000 respectively).

As at 30 September 2016, the Group's current ratio (current assets divided by current liabilities) was 1.16 times compared with 1.15 times as at 31 March 2016. The gearing ratio (interest-bearing borrowings divided by total equity) was 13.0% as compared with 18.3% as at 31 March 2016. In view of the Group's cash flow status together with the surplus cash position, the Group has adequate financial resources to meet the future payment obligation and support its future business development plan.

Contingent Liabilities

The Group did not have any contingent liabilities as at 30 September 2016.

Capital Commitment

As at 30 September 2016, the Group's commitments in respect of capital expenditure were contracted but not provided for the acquisition of property, plants and equipments of approximately HK$869,000 (31 March 2016: Nil).

Pledge of Assets

As at 30 September 2016, the Group had outstanding bank borrowings amounting in total of HK$21.9 million (as at 31 March 2016: HK$33.6 million) which were repayable on demand and secured by the Group's land and building and investment property.

Foreign Exchange Risks and Treasury Policies

The Group has foreign currency exposures that mainly arise from the balance of assets and liabilities in currencies other than in Hong Kong dollar, the Group's functional currency. The Group's policy requires the management to monitor the Group's foreign exchange exposure by closely monitoring the movement of foreign currency rates. The management may purchase foreign currency at spot rate, when and where appropriate for the purpose of meeting the Group's future payment obligation in foreign currency. With the setup of Travel Expert Asset Management together with the extension of investment scope, the Group may use more financial tools such as foreign exchange forward contracts and currency futures etc. to manage the foreign exchange risks. For the Period, a net foreign exchange loss of approximately HK$0.6 million was recorded (2015: exchange gain of HK$0.2 million).

Human Resources and Employee's Remuneration

As at 30 September 2016, the Group had a total workforce of 632 (as at 30 September 2015: 668), of which about 67.4% were front line staff. Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. Other benefits include contributions to mandatory provident fund and medical insurance coverage. In addition, the Group has adopted a Share Option Scheme to recognize the contributions of our staff and to provide them with incentives to stay with the Group. The remuneration policy will be reviewed by the Board from time to time. Emoluments of Directors are determined by the Remuneration Committee after considering the Group's operating results, individual performance and comparing with market conditions.

Event after the Reporting Period

There was no important event affecting the Company and its subsidiaries which has occurred since the six months period ended 30 September 2016.

OUTLOOK

The retail market in Hong Kong is expected to remain stagnant in the rest of the year. Having regard to the persistent economic slowdown and intensified competition from online travel agencies and budget airlines, the Group will continue to take various measures to tackle these difficulties. Indeed, we have vigorously implemented our goal of business diversification by establishing new business lines since 2011 to undertake travel services of corporate travel by Travel Expert Business Services, cruise holidays by Cruise Expert, themed independent travel by Tailor Made Holidays, high-end guided tours by Premium Holidays and overseas wedding and wedding relating services by Take My Hand. Through the set-up of these new business lines together with our core FIT business operated by Travel Expert, the Group is able to offer a vast array of travel products and all-round services to suit different consumer preferences while at the same time further strengthened our competitive advantages as the one-stop travel solutions provider. In the coming years, our primary task is to support all these new business lines to get a profitable business growth.

To optimize the business results, the Group will continue to streamline the branch network and enhance shop portfolio. We will close low efficiency shops but still be cautious to open new shops at selected strategic locations that will deliver high potential business growth. Furthermore, we will continue to implement the cost control measures that should effectively reduce the operating costs in both selling and administration areas.

In order to response to the rapid market change and the increasingly importance of online operations, we are strenuously working on the redevelopment of our online trading platform. Though there are many limitations such as insufficient IT talents inevitably hindering the progress, we have strong determination to fulfill our goal of moving towards the O2O (Online to Offline) business model.

Facing the challenges ahead, we firmly believe that our dedicated and resourceful staff and management team, who have overcome all economic circumstances and operation difficulties in the past years, will strive to deliver the growth of our business and to maintain our leading position in the travel industry.

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

During the six months ended 30 September 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the six months ended 30 September 2016, 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed and discussed with the management and the Company's external auditors the interim results of the Group for the six months ended 30 September 2016.

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 six months ended 30 September 2016.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement of the Group for the six months ended 30 September 2016 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, 23 November 2016

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