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 2017

FINANCIAL HIGHLIGHTS

- Total customer sales proceeds for the period was HK$815.1 million, representing a decrease of 9.6% from HK$901.3 million for the corresponding period last year.
- Revenue for the period was HK$162.2 million, representing a decrease of 6.9% from HK$174.3 million for the corresponding period last year.
- The loss for the period attributable to owners of the Company was HK$3.0 million (2016: profit attributable to owners of the Company of HK$0.9 million).
- Loss per share attributable to owners of the Company for the period was HK0.6 cents (2016: earnings per share of HK0.2 cents).
- The Board has resolved not to declare an interim dividend for the six months ended 30 September 2017 (2016: 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 2017 together with comparative figures.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

		Six months ended 30 September	
		2017	2016
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*5*	**162,181**	174,307
Cost of sales		**(39,444)**	(26,237)
Gross profit		**122,737**	148,070
Other income and gains	*5*	**9,119**	5,161
Changes in fair value of investment property	*12*	**4,000**	(6,600)
Selling and distribution costs		**(103,741)**	(109,579)
Administrative expenses		**(36,904)**	(35,436)
Share of profits of associates		**1,576**	–
(Loss)/gain on disposal of financial assets/ liabilities at fair value through profit or loss		**(259)**	133
Fair value loss on financial assets/liabilities at fair value through profit or loss		**(27)**	(5)
(Loss)/profit from operations	*6*	**(3,499)**	1,744
Finance costs	*7*	**(269)**	(247)
(Loss)/profit before income tax		**(3,768)**	1,497
Income tax expense	*8*	**(233)**	(2,315)
Loss for the period		**(4,001)**	(818)
Other comprehensive income, that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas subsidiaries		**160**	(145)
Other comprehensive income for the period, net of tax		**160**	(145)
Total comprehensive income for the period		**(3,841)**	(963)

	Notes	Six months ended 30 September 2017 (unaudited) HK$'000	2016 (unaudited) HK$'000
(Loss)/profit for the period attributable to:			
Owners of the Company		**(2,960)**	898
Non-controlling interests		**(1,041)**	(1,716)
		(4,001)	(818)
Total comprehensive income for the period attributable to:			
Owners of the Company		**(2,800)**	753
Non-controlling interests		**(1,041)**	(1,716)
		(3,841)	(963)
(Loss)/earnings per share attributable to owners of the Company	*9*		
– Basic		**HK(0.6) cents**	HK0.2 cents
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	30 September 2017 (unaudited) HK$'000	31 March 2017 (audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**71,818**	76,776
Investment property	*12*	**55,000**	51,000
Goodwill		**445**	445
Interests in associates		**10,984**	–
Deposits		**5,737**	7,385
		143,984	135,606
Current assets			
Inventories		**4,770**	2,336
Trade receivables	*13*	**7,694**	7,289
Prepayments, deposits and other receivables		**37,115**	33,284
Financial assets at fair value through profit or loss		**8,927**	2,007
Prepaid tax		**4,044**	4,112
Pledged deposits		**1,307**	2,367
Time deposits over three months		**90,444**	130,195
Cash and cash equivalents		**66,819**	42,314
		221,120	223,904
Current liabilities			
Trade payables	*14*	**98,505**	110,835
Accrued charges, deposits received and other payables		**76,003**	50,904
Bank borrowings	*15*	**23,968**	25,982
Amounts due to associates		**8,797**	–
Provision for tax		**886**	763
		208,159	188,484
Net current assets		**12,961**	35,420

	Notes	**30 September 2017 (unaudited) *HK$'000***	31 March 2017 (audited) *HK$'000*
Total assets less current liabilities		**156,945**	171,026
Non-current liabilities			
Deferred tax liabilities		**829**	797
		829	797
Net assets		**156,116**	170,229
EQUITY			
Equity attributable to owners of the Company			
Share capital	*16*	**5,136**	5,136
Reserves		**153,558**	166,630
		158,694	171,766
Non-controlling interests		**(2,578)**	(1,537)
Total equity		**156,116**	170,229

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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 9th Floor, Kowloon Plaza, No. 485 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The condensed consolidated interim financial statements for the six months ended 30 September 2017 were approved and authorised for issue by the Board on 22 November 2017.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 September 2017 have been prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2017.

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 2017, 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 2017.

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 Six months ended 30 September		Rental income from investment property Six months ended 30 September		Treasury activities Six months ended 30 September		Total Six months ended 30 September	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	(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	**161,801**	173,167	**380**	1,140	**–**	–	**162,181**	174,307
Reportable segment revenue	**161,801**	173,167	**380**	1,140	**–**	–	**162,181**	174,307
Reportable segment (loss)/profit	**(8,606)**	7,395	**4,049**	(5,935)	**(49)**	407	**(4,606)**	1,867
Interest income	**830**	580	**–**	–	**49**	428	**879**	1,008
Changes in fair value of investment property	**–**	–	**4,000**	(6,600)	**–**	–	**4,000**	(6,600)
Finance costs	**(112)**	(63)	**(157)**	(184)	**–**	–	**(269)**	(247)
Dividend income	**–**	–	**–**	–	**122**	2	**122**	2
Depreciation	**(4,635)**	(5,279)	**–**	(1)	**–**	–	**(4,635)**	(5,280)
Impairment loss on property, plant and equipment	**(1,145)**	–	**–**	–	**–**	–	**(1,145)**	–
(Loss)/gain on disposal of financial assets/liabilities at fair value through profit or loss	**–**	–	**–**	–	**(259)**	133	**(259)**	133
Fair value loss on financial assets/liabilities through profit or loss	**–**	–	**–**	–	**(27)**	(5)	**(27)**	(5)

	Travel and travel/wedding related business		Rental income from investment property		Treasury activities		Total	
	At 30 September 2017	At 31 March 2017	**At 30 September 2017**	At 31 March 2017	**At 30 September 2017**	At 31 March 2017	**At 30 September 2017**	At 31 March 2017
	(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	**259,852**	286,060	**55,027**	51,123	**35,411**	17,385	**350,290**	354,568
Additions to non-current segment assets during the period/year	**855**	5,750	**–**	–	**–**	–	**855**	5,750
Reportable segment liabilities	**185,011**	171,341	**14,371**	15,600	**62**	33	**199,444**	186,974

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	
	2017	2016
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Reportable segment revenue	**162,181**	174,307
Group revenue	**162,181**	174,307
Reportable segment (loss)/profit	**(4,606)**	1,867
Other corporate income/(expenses)	**838**	(370)
(Loss)/profit before income tax	**(3,768)**	1,497

	At 30 September 2017	At 31 March 2017
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Reportable segment assets	**350,290**	354,568
Other corporate assets	**14,814**	4,942
Group assets	**365,104**	359,510
Reportable segment liabilities	**199,444**	186,974
Other corporate liabilities	**9,544**	2,307
Group liabilities	**208,988**	189,281

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

	Revenue from external customers		**Non-current assets**	
	Six months ended 30 September		**At 30 September**	At 31 March
	2017	2016	**2017**	2017
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (domicile)	**162,121**	174,243	**142,451**	135,399
The People' s Republic of China (the "PRC") excluding Hong Kong	**60**	64	**1,533**	207
	162,181	174,307	**143,984**	135,606

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/wedding related products, provision of package tours, property investment and investment in treasury activities.

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

	Six months ended 30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Revenue		
Service income from sales of travel/wedding related products *(note)*	**119,909**	144,387
Sales of package tours *(note)*	**41,892**	28,780
Rental income from investment property	**380**	1,140
	162,181	174,307
Other income and gains		
Interest income on deposits in banks and financial institutions stated at amortised cost	**840**	580
Interest income on debt securities	**39**	428
Dividend income from listed securities	**122**	2
Exchange gains	**617**	–
Sundry income	**7,501**	4,151
	9,119	5,161
Total revenue, other income and gains	**171,300**	179,468

Note:

Total customer sales proceeds

	Six months ended 30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Gross sales proceeds related to service income*	**773,235**	872,561
Sales of package tours	**41,892**	28,780
Total customer sales proceeds	**815,127**	901,341

* *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. (LOSS)/PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
(Loss)/profit from operations is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment*	**4,645**	5,292
Loss on disposal of property, plant and equipment	**26**	123
Impairment loss on property, plant and equipment	**1,145**	–
Changes in fair value of investment property *(note 12)*	**(4,000)**	6,600
Net foreign exchange (gain)/loss	**(617)**	595
Operating lease charges in respect of leasehold premises		
– Minimum leases payments	**23,888**	23,926
– Contingent rents **	**85**	34
	23,973	23,960
Operating leases in respect of office equipment	**1,121**	1,098
Staff costs (including directors' remuneration)		
– Salaries	**77,479**	83,204
– Retirement scheme contribution	**3,263**	3,608
	80,742	86,812

* *Depreciation expenses have been included in:*

– *selling and distribution costs of approximately HK$1,898,000 for the six months ended 30 September 2017 (six months ended 30 September 2016: HK$1,798,000); and*

– *administrative expenses of approximately HK$2,747,000 for the six months ended 30 September 2017 (six months ended 30 September 2016: HK$3,494,000).*

** *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	
	2017	2016
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interests on bank borrowings	**269**	247

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Tax for the period	**201**	1,745
Deferred tax	**32**	570
	233	2,315

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 2016 and 2017 respectively.

Hong Kong profits tax is calculated at 16.5% (six months ended 30 September 2016: 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. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the loss for the period attributable to owners of the Company of approximately HK$2,960,000 (six months ended 30 September 2016: profit for the period attributable to owners of the Company of approximately HK$898,000) and the 513,579,000 (six months ended 30 September 2016: 513,579,000) weighted average number of ordinary shares in issue during the period.

No diluted earnings per share is presented for six months ended 30 September 2016 as the exercise prices of the Company's outstanding options were higher than the average market price during the period.

No diluted loss per share is presented for six months ended 30 September 2017 as there was no outstanding share option during the period.

10. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group incurred capital expenditures of approximately HK$47,000 (six months ended 30 September 2016: HK$862,000) in leasehold improvements, approximately HK$775,000 (six months ended 30 September 2016: HK$403,000) in office equipment, approximately HK$28,000 (six months ended 30 September 2016: HK$192,000) in furniture and fixtures, and approximately Nil (six months ended 30 September 2016: HK$336,000) in dress and accessories.

During the six months ended 30 September 2017, 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$1,145,000 (six months ended 30 September 2016: Nil) was recognised and charged to the consolidated statement of comprehensive income for six months ended 30 September 2017. 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/wedding related business based on a management budget plan and a pre-tax discount rate of 8%.

12. INVESTMENT PROPERTY

	30 September 2017 (unaudited) ***HK$'000***	31 March 2017 (audited) *HK$'000*
At beginning of the period/year	**51,000**	60,600
Changes in fair value of investment property	**4,000**	(9,600)
At end of the period/year	**55,000**	51,000

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 2017 and 31 March 2017 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 2017 (unaudited) ***HK$'000***	31 March 2017 (audited) *HK$'000*
0 – 30 days	**5,436**	6,121
31 – 90 days	**2,074**	1,008
Over 90 days	**184**	160
	7,694	7,289

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 2017 (unaudited) ***HK$'000***	31 March 2017 (audited) *HK$'000*
0 – 30 days	**65,257**	70,793
31 – 90 days	**21,244**	30,978
Over 90 days	**12,004**	9,064
	98,505	110,835

15. BANK BORROWINGS

	30 September 2017 (unaudited) *HK$'000*	31 March 2017 (audited) *HK$'000*
Secured bank borrowings		
Portion due for repayment within one year	**4,045**	4,098
Portion due for repayment after one year which contains a repayable on demand clause	**19,923**	21,884
	23,968	25,982

The Group's interest-bearing bank borrowing of approximately HK$505,000 (31 March 2017: HK$780,000) bears interest at a floating rate of 1.75% per annum over 1 month HIBOR; interest-bearing bank borrowing of approximately HK$4,123,000 (31 March 2017: HK$4,355,000) bears interest at a floating rate of 2.15% per annum below HKD prime; interest-bearing bank borrowing of approximately HK$5,546,000 (31 March 2017: HK$5,820,000) bears interest at a floating rate of 1.60% per annum over HIBOR with capped rate of 2.90% per annum below HKD prime are secured by the Group's land and buildings of approximately HK$66,312,000 (31 March 2017: HK$67,596,000) as at 30 September 2017.

The Group's interest-bearing bank borrowing of approximately HK$13,794,000 (31 March 2017: HK$15,027,000) 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$55,000,000 (31 March 2017: HK$51,000,000) as at 30 September 2017 (Note 12).

The current liabilities include bank borrowings of approximately HK$19,923,000 (31 March 2017: HK$21,884,000) 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 30 September 2017 and 31 March 2017.

16. SHARE CAPITAL

	Number of shares *'000*	**Amount** *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2016, 31 March 2017, 1 April 2017 and 30 September 2017	2,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2016, 31 March 2017, 1 April 2017 and 30 September 2017	513,579	5,136

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the six months ended 30 September 2017 (the "Period"), as indicated in the profit warning announcement issued by the Company on 17 October 2017, the Group recorded a loss for the Period. The Group's total customer sales proceeds was HK$815.1 million for the Period, representing a decrease of 9.6% as compared with HK$901.3 million for the corresponding period last year. The total revenue for the Period decreased to HK$162.2 million (2016: HK$174.3 million), representing a decrease of 6.9% over the corresponding period last year. The drop in the business performance was mainly due to decrease of revenue from retail FIT (Free Independent Travellers) business which was negatively impacted by the intensified competition from online travel agencies ("OTA") and airline and accommodation booking websites ("Booking Websites").

Due to recovery in Hong Kong retail property market during the Period, the Group recorded a revaluation gain of HK$4 million in our investment property. Besides, there was a gain of HK$1.6 million arising from acquisition of an associate representing excess of the investor's share of the net fair value of the associate's identifiable assets, and liabilities over the cost of the investment. Excluding such two items and non-controlling interests, the loss for the Period attributable to owners of the Company was HK$8.6 million (2016: profit attributable to owners of the Company of HK$7.5 million). Overall, the Group's loss for the Period was HK$4.0 million, representing a decrease of bottom line from the loss of HK$0.8 million for the corresponding period last year. Loss per share attributable to owners of the Company for the Period was HK0.6 cents, representing a decrease of performance from the earnings per share of HK0.2 cents for the corresponding period last year. The Board has resolved not to declare an interim dividend for the Period (2016: Nil).

BUSINESS REVIEW

The Group's retail FIT 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 of this business line was not satisfactory and recorded a drop in both customer sales proceeds and profit margin. The continuous keen competition from OTA and Booking Websites presented a direct threat on the business. To strengthen its competitiveness and improve the operation efficiency, we have restructured the sales management team and the new sales management structure will be effective in December 2017. In addition, the management continued to streamline the branch network of this business line to reduce operational costs and improve productivity. We also adopted flexible marketing strategy and launched different promotion programs to drive its sales growth. A new TV advertising commercial with key message on "customer service" was launched a few months ago. We enhanced the service quality and product offerings to adapt to the changing market and customer preferences.

As mentioned in the Company's Annual Report 2017, we have been working hard on the redevelopment of a new online trading platform "Texpert.com". The first phase of this new platform has been launched in October 2017. To improve customer shopping experience and operational efficiency, further enhancements on this platform are being undertaken and a mobile app was launched in November 2017 in order to boost the sales revenue through online sales channel. For the Period, the contribution from online business is still minimal.

The Group's corporate business is operated mainly through Travel Expert Business Services Limited (專業旅運商務有限公司). To achieve further business growth, this business line allocated resources to develop MICE (meeting, incentive, conference and exhibition) businesses for small and medium sized organizations like school tours in summer holiday and incentive trips for insurance agents. Also, a new business unit using the profit sharing model was established since August 2017 in order to attract self-employed senior travel consultants to provide professional corporate travel services to customers. The Group has taken appropriate measures to tackle the changing market environment in the corporate travel business.

The Group's tour operation is conducted by Premium Holidays Limited (尊賞假期有限公司) ("Premium Holidays") with focus on operating high-end long haul tour business. During the Period, we allocated extra resources to increase its purchase from premium airlines and award-winning carriers that offering high standards of services and cabin facilities. It also enhanced its publicity by launching various tours with promotional prices. Besides, we boosted its sales performance successfully through the sales network of Travel Expert. With its high quality of tour products and services, coupled with word of mouth and our ongoing publicity efforts, it recorded a strong growth in sales and customer volume in the Period. The Group remains firmly committed to the development of this business.

During the Period, the business of cruise holidays operated by Cruise Expert Limited (專業郵輪有限公司) ("Cruise Expert") continued to record a strong growth in the sales volume. The encouraging result from this business brand indicated an accelerating demand for cruise products which shall be a high business growth area in the coming years. Therefore, the Group committed more resources to establish new agency relationship with various cruises companies and organize more promotional programs for the cruise products. In October 2017, it chartered half of the ship "Ovation of the Seas" to cater for more than 2,000 customers. We arranged additional entertainment programs to add the enjoyment of the cruise trip for customers that resulted in very good customer response.

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 stable business growth. The business line offers one-stop wedding services and products including wedding planning services, event management, overseas wedding and travelling arrangements. With a view to expanding business, it has increased the headcount of frontline sales team. Furthermore, the management is active to solicit new overseas suppliers on wedding products in order to enrich its product offering at a competitive price.

In addition to the ordinary travel business segment, our investment activities using the Group's surplus funds allocated under the approved investment cap are conducted by Travel Expert Asset Management Limited (專業旅運資產管理有限公司) ("Travel Expert Asset Management"). The performance of this segment recorded a loss in 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$103.7 million, representing a decrease of 5.4% from HK$109.6 million for the corresponding period last year. The selling and distribution costs accounted for 84.5% of the Group's total gross profit, having increased from 74.0% in the corresponding period 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 Period, we streamlined our branch network in order to enhance the operational efficiency. Besides, the Group carried out strict cost control measures and managed to maintain a reasonable selling and distribution costs level. Despite the cost pressure, we will continue to maintain a widespread and effective sales network which is one of our key competitive advantages. We will put continuing efforts in exploring new sales channels as well. As at 30 September 2017, the Group operated a total of 54 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$36.9 million, representing an increase of 4.2% from HK$35.4 million for the corresponding period last year. The increase was mainly due to an impairment loss of HK$1.1 million on property, plant and equipment (2016: Nil). Administrative expenses accounted for 30.0% of the Group's total gross profit, which increased from 23.9% 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 was maintained at a similar level as the corresponding period last year although we committed to allocating extra resources for the new business lines development and various IT projects as well as advancement of IT applications and infrastructure. In view of the increasing operating cost pressure, the Group will continue to adopt effective control measures of administrative expenses by better allocation of its back office resources and streamline of its existing working process.

Finance Cost

Finance cost of the Group for the Period was HK$269,000, which was mainly related to the interest-bearing bank borrowing of mortgage loans for the Group's properties (2016: HK$247,000).

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 2017 remained healthy with net assets value of HK$156.1 million (as at 31 March 2017: HK$170.2 million). Including the time deposits over three months, the Group had total cash and cash equivalents of HK$157.3 million as at 30 September 2017 (as at 31 March 2017: HK$172.5 million). As at 30 September 2017, in addition to an investment property with fair value at HK$55.0 million (as at 31 March 2017: HK$51.0 million), the Group held a portfolio of financial assets at fair value through profit or loss at around HK$8.9 million (as at 31 March 2017: HK$2.0 million).

As at 30 September 2017, the Group's current ratio (current assets divided by current liabilities) was 1.06 times compared with 1.19 times as at 31 March 2017. The gearing ratio (interest-bearing borrowings divided by total equity) was 15.4% as compared with 15.3% as at 31 March 2017. 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 2017.

Capital Commitments

As at 30 September 2017, the Group's commitments in respect of capital expenditure were contracted but not provided for the acquisition of property, plant and equipment of approximately HK$125,000 (as at 31 March 2017: HK$268,000).

Pledge of Assets

As at 30 September 2017, the Group had outstanding bank loans amounting in total of HK$24.0 million (as at 31 March 2017: HK$26.0 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 gain of approximately HK$0.6 million was recorded (2016: exchange loss of HK$0.6 million).

Human Resources and Employee's Remuneration

As at 30 September 2017, the Group had a total workforce of 557 (as at 31 March 2017: 588), of which about 65.2% were frontline staff. Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. Other benefits include contributions to mandatory provident fund and medical insurance coverage. In addition, the Group has adopted a Share Option Scheme to recognize the contributions of our staff and to provide them with incentives to stay with the Group. The remuneration policy will be reviewed by the Board from time to time. Emoluments of Directors are determined by the Remuneration Committee after considering the Group's operating results, individual performance and comparing with market conditions.

Event after the Reporting Period

There was no important event affecting the Company and its subsidiaries which has occurred since the six months period ended 30 September 2017.

OUTLOOK

The market environment remains challenging in the second half of the year. The severe competition from OTA and Booking Websites will continue to exert tremendous pressure on the Group's retail FIT business.

To sharpen our competitiveness, the Group will continue to streamline the branch network, thereby enhancing branch productivity and increasing income of frontline staff. Implementation of a new sales management team from December 2017 will be an important step to integrate our frontline management resources so as to build a stronger management team to facilitate future business growth. The FIT business under the brand name of "Travel Expert" is the Group's core business and has established strong brand name throughout the years. We will utilize our solid foundation and experience to further explore the MICE business aiming at capturing a higher gross profit margin. Besides, we will continue to utilize the extensive branch network of Travel Expert in selling products of other Group's business brands, such as cruise holidays, long-haul guided tours and other travel products, so as to boost the overall sales. This will also allow us to adhere to our goal of providing one-stop travel solutions to customers.

In respect of Premium Holidays, we will streamline its internal workflow in order to improve its business operation and cost effectiveness. We will implement measures to reduce the tour cancellation rate so as to minimize the penalty imposed by airlines and land agents. Last but not least, we will enhance its market awareness through different promotional activities and sales network of Travel Expert.

The launch of our new online trading platform in October 2017 enabled us to cater for the increasing trend of booking air tickets and hotel accommodations online. We will continue to commit resources in enhancing the online platform and the mobile app with a view to improve the customer shopping experience, which in turn will help to increase the Group's online business and competitiveness.

In short, the Group will remain committed to strengthen our operational efficiency through a number of measures as mentioned above. We will continue to devote resources to the development of business lines and strive to boost their sales turnover and profitability. The Group will further enhance the marketing and promotional activities for different business lines to drive their sales growth and enhance brand loyalty. In early 2018, we will move all separate back offices in Hong Kong to one location. After the move, it can greatly facilitate the internal communication and achieve a better working efficiency across different business lines. We believe that the dedication and commitment of the management team and staff will continue to execute our business plan to position all our businesses for sustained growth into the future.

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

During the six months ended 30 September 2017, 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 2017, the Company has complied with all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed and discussed with the management and the Company's external auditors the interim results for the six months ended 30 September 2017.

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 2017.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement of the Group for the six months ended 30 September 2017 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, 22 November 2017

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.