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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

FINANCIAL HIGHLIGHTS

- Total customer sales proceeds for the year was HK\$48.5 million, representing an increase of 54.5% from HK\$31.4 million for the last year.
- Revenue for the year was HK\$10.3 million, representing an increase of 60.9% from HK\$6.4 million for the last year.
- The loss for the year attributable to the owners of the Company was HK\$17.9 million (2021: HK\$32.9 million).
- Loss per share attributable to owners of the Company for the year was HK3.5 cents, (2021: HK6.5 cents).
- The Board has resolved not to recommend the payment a final dividend for the year ended 31 March 2022 (2021: Nil).

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Travel Expert (Asia) Enterprises Limited (the “Company”) presents the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2022 together with comparative figures.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	4	10,278	6,423
Cost of sales		<u>(4,727)</u>	<u>(635)</u>
Gross profit		5,551	5,788
Other income and gains	4	7,948	34,388
Changes in fair value of investment properties		–	(2,189)
Selling and distribution costs		(9,041)	(22,908)
Administrative expenses		(20,894)	(47,347)
Share of losses of associates		–	(828)
Fair value (loss)/gain on financial assets/ liabilities at fair value through profit or loss		<u>(1,307)</u>	<u>642</u>
Loss from operations	5	(17,743)	(32,454)
Finance costs	6	<u>(394)</u>	<u>(671)</u>
Loss before income tax		(18,137)	(33,125)
Income tax credit	7	<u>214</u>	<u>233</u>
Loss for the year		<u>(17,923)</u>	<u>(32,892)</u>
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiary		<u>17</u>	<u>318</u>
Other comprehensive income for the year		<u>17</u>	<u>318</u>
Total comprehensive income for the year		<u>(17,906)</u>	<u>(32,574)</u>

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company		(17,921)	(32,890)
Non-controlling interests		(2)	(2)
		<u>(17,923)</u>	<u>(32,892)</u>
Total comprehensive income			
for the year attributable to:			
Owners of the Company		(17,904)	(32,572)
Non-controlling interests		(2)	(2)
		<u>(17,906)</u>	<u>(32,574)</u>
Loss per share attributable			
to owners of the Company			
– Basic	9	<u>HK(3.5) cents</u>	HK(6.5) cents
– Diluted		<u>HK(3.5) cents</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>10</i>	2,582	226
Prepayments and deposits		1,920	1,983
		4,502	2,209
Current assets			
Inventories		2,266	2,373
Trade receivables	<i>11</i>	253	40
Prepayments, deposits and other receivables		7,108	12,132
Financial assets at fair value through profit or loss		2,200	4,165
Pledged deposits		5,014	15,152
Time deposits over three months		2,400	25,000
Cash and cash equivalents		66,244	51,549
		85,485	110,411
Current liabilities			
Trade payables	<i>12</i>	4,332	5,166
Accrued charges and other payables		10,483	12,249
Contract liabilities		4,404	2,113
Financial liabilities at fair value through profit or loss		–	18
Lease liabilities		5,564	8,174
Provision for tax		4	205
		24,787	27,925
Net current assets		60,698	82,486
Total assets less current liabilities		65,200	84,695

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		<u>4,042</u>	<u>6,238</u>
		<u>4,042</u>	<u>6,238</u>
Net assets		<u>61,158</u>	<u>78,457</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>13</i>	5,099	5,099
Reserves		<u>55,883</u>	<u>73,180</u>
		60,982	78,279
Non-controlling interests		<u>176</u>	<u>178</u>
Total equity		<u>61,158</u>	<u>78,457</u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 March 2022

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Group is located at 8/F., Guangdong Finance Building, 88 Connaught Road West, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

2. BASIS OF PREPARATION

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

Since 2020, precautionary and control measures against Coronavirus Disease 2019 ("COVID-19") have been implemented in various countries. These measures include border restrictions and quarantine measures over international travel and have created unprecedented pressure for travel industry. As a result, the Group recorded a loss of approximately HK\$17,923,000 and net operating cash outflows of approximately HK\$7,646,000 for the year ended 31 March 2022.

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 of the Company have adopted going concern basis in the preparation of the consolidated financial statements of the Group.

In view of these circumstances and the impact of the COVID-19 pandemic, the management strives to maintain an operating scale commensurate with the Group's operating strategies that on one hand enables the Group to respond to the future recovery of the travel industry and on the other hand reserves sufficient liquidity and working capital so as to enable the Group to continue as a going concern. The management has also been continuously negotiating with landlords for rental reductions.

For the purpose of assessing the appropriateness of the use of the going concern basis, the Company's directors have reviewed the Group's cash flow projections prepared by the management covering a period of not less than twelve months from 31 March 2022. 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, including a worst case analysis, that include key assumptions with regard to the anticipated cash flows from the Group's operations and capital expenditures. The directors, after making due enquiries and considering the basis of management's projections described above, 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 assumptions and judgements, such as the timing of uplifting the border restrictions and quarantine measures, vaccination requirements, and the successful implementation of the aforementioned measures on liquidity. Accordingly, the directors considered that it is appropriate to prepare the Group's consolidated 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 reduce the value of assets to their recoverable amounts, to provide for any further 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 consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Adoption of new and revised HKFRSs – effective 1 April 2021

In the current year, the Group has applied for the first time the following amendments issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2021.

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform–Phase 2

Expected as disclosed below, the new and amended HKFRSs that are effective from 1 April 2021 did not have any significant impact on the Group's accounting policies.

Amendment to HKFRS 16 – COVID-19-Related Rent Concessions

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

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

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

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

Amendment to HKFRS 16 – COVID-19-Related Rent Concessions beyond 30 June 2021

The 2021 Amendment to HKFRS 16 extends the availability of the practical expedient in paragraph 46A of HKFRS 16 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application has had no impact to the opening retained profits at 1 April 2021. During the year, certain lessors agreed to reduce lease payments on several leases. The Group has derecognised the part of lease liabilities that have been extinguished using the discount rates originally applied to these leases respectively, resulted in a decrease in lease liabilities of HK\$506,000, which have been recognised as negative variable lease payments in profit or loss for the current year.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 – Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “Reform”). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

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

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

Amendments to HKAS 16	Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRS 9	Annual Improvements to HKFRSs 2018-2020 ¹
Amendments to HKFRS 16	Annual Improvements to HKFRSs 2018-2020 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

Amendments to HKAS 16 – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to HKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the “cost of fulfilling a contract” comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRS 9 – Annual Improvements to HKFRSs 2018-2020

The amendments clarify the fees included in the “10 per cent” test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.

Amendments to HKFRS 16 – Annual Improvements to HKFRSs 2018-2020

The amendments amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosed. The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to HKAS 8 – Definition of Accounting Estimates

The amendments to HKAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occurs on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities; and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings/ accumulated losses, or another component of equity, as appropriate.

Amendments to HKFRS 3 – Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company anticipate that the adoption of these new and amendments to HKFRSs will have no material impact on the consolidated financial statements.

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
Provision of services relating to sales of travel/wedding related products (<i>note a</i>)	6,959	5,086
Sales of package tours (<i>note a</i>)	1,271	821
Sales of frozen food and groceries (<i>note a</i>)	217	209
Sales of food and beverage (<i>note a</i>)	1,831	–
	<u>10,278</u>	<u>6,116</u>
Revenue from other source		
Rental income from investment properties	–	307
	<u>10,278</u>	<u>6,423</u>
Other income and gains		
Interest income on deposits in banks and financial institutions measured at amortised cost	1,104	431
Dividend income from listed securities	30	32
Exchange gains	1,065	–
Financial income on the net investment in a sub-lease agreement	–	12
Sponsorship and joint advertising income	33	791
Government grants (<i>note b</i>)	4,118	19,743
COVID-19 related rent concession (<i>note c</i>)	506	–
Gain on lease modifications	170	4,822
Gain on disposal of property, plant and equipment	154	3,801
Gain on disposal of investment properties	–	2,000
Sundry income	768	2,756
	<u>7,948</u>	<u>34,388</u>

Notes:

(a) *Customer sales proceeds*

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gross sales proceeds related to provision of services relating to sales of travel/wedding related products*	45,156	30,345
Sales of package tours	1,271	821
Sales of frozen food and groceries	217	209
Sales of food and beverage	1,831	–
Total customer sales proceeds	<u>48,475</u>	<u>31,375</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 a principal as an agent. The gross sales proceeds from these sales, which do not represent revenue, represent the price at which products have been sold inclusive of service fees. The related service income is recorded by the Group on net basis.*

(b) Government grants

Included in profit or loss for the year ended 31 March 2021 was HK\$15,357,000 of government grants obtained from Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not to reduce employee head count below prescribed levels for a specified period of time. The Group does not have other unfulfilled obligations relating to this program.

During the year ended 31 March 2022, HK\$4,071,000 (2021: HK\$4,359,000) of government grants relating to one-off subsidy for the purpose of giving immediate financial support and cash incentives for travel agents are included in profit of loss.

(c) COVID-19 related rent concession

The Group has applied the practical expedient to all rent concessions occurring as a direct consequence of the COVID-19 pandemic. All of the rent concessions granted during the year satisfy the criteria to apply the practical expedient. The application of the practical expedient has resulted in the reduction of total lease liabilities of HK\$506,000. The effect of this reduction has been recorded in profit or loss as negative variable lease payments in the period in which the event or condition that triggers those payments occurs.

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.

During the year ended 31 March 2022, the Group has reorganised its internal reporting structure. Accordingly, the comparative segment information has been re-presented to conform to current year's presentation. The Group's operating segments for financial reporting purposes have been reorganised as (i) Travel and travel/wedding related business; (ii) Food and beverage business; (iii) Treasury activities; and (iv) Others.

	Travel and travel/ wedding related business		Food and beverage business		Treasury activities		Others		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue from external customers	8,230	5,907	1,831	-	-	-	217	516	10,278	6,423
Reportable segment revenue	8,230	5,907	1,831	-	-	-	217	516	10,278	6,423
Reportable segment (loss)/profit	(10,165)	(26,482)	(4,774)	-	(804)	(145)	(344)	46	(16,087)	(26,581)
Interest income	215	375	-	-	828	56	-	-	1,043	431
Changes in fair value of investment properties	-	-	-	-	-	-	-	(2,189)	-	(2,189)
Gain on disposal of investment properties	-	-	-	-	-	-	-	2,000	-	2,000
Finance costs	(320)	(632)	(74)	-	-	(3)	-	(36)	(394)	(671)
Dividend income	-	-	-	-	30	32	-	-	30	32
Depreciation on property, plant and equipment	(92)	(5,834)	(1,141)	-	-	-	(67)	(174)	(1,300)	(6,008)
Impairment loss on property, plant and equipment	(122)	(11,239)	(2,950)	-	-	-	-	-	(3,072)	(11,239)
Written off of prepayments, deposits and other receivables	(1,435)	-	-	-	-	-	-	-	(1,435)	-
Fair value (loss)/gain on financial assets/liabilities at fair value through profit or loss	-	-	-	-	(1,307)	642	-	-	(1,307)	642
Loss on disposal of a subsidiary	-	-	-	-	-	-	-	(2,838)	-	(2,838)
Reportable segment assets	16,764	88,462	3,324	-	46,696	22,461	133	1,026	66,917	111,949
Additions to non-current segment assets during the year	751	11,519	6,441	-	-	-	-	440	7,192	11,959
Reportable segment liabilities	24,899	33,705	3,819	-	19	43	22	135	28,759	33,883

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Reportable segment revenue	<u>10,278</u>	<u>6,423</u>
Group revenue	<u>10,278</u>	<u>6,423</u>
Reportable segment loss	(16,087)	(26,581)
Share of losses of associates	–	(828)
Other corporate expenses	<u>(2,050)</u>	<u>(5,716)</u>
Loss before income tax	<u>(18,137)</u>	<u>(33,125)</u>
Reportable segment assets	66,917	111,949
Other corporate assets	<u>23,070</u>	<u>671</u>
Group assets	<u>89,987</u>	<u>112,620</u>
Reportable segment liabilities	28,759	33,883
Other corporate liabilities	<u>70</u>	<u>280</u>
Group liabilities	<u>28,829</u>	<u>34,163</u>

The Group's revenues from external customers and its non-current assets (excluded those relating to financial instruments) are all divided into the following geographical locations:

	Revenue from external customers		Non-current assets	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong (domicile)	10,264	6,423	3,098	210
The PRC excluding Hong Kong	<u>14</u>	<u>–</u>	<u>–</u>	<u>16</u>
	<u>10,278</u>	<u>6,423</u>	<u>3,098</u>	<u>226</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 center of management.

Most of the revenue of the Group are derived from Hong Kong. The Group has a large number of customers, and no significant revenue was derived from specific external customers for the years ended 31 March 2021 and 2022.

5. LOSS FROM OPERATIONS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss from operations is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment:		
– owned property, plant and equipment*	466	1,736
– right-of-use assets included within:**		
– office equipment	–	256
– leasehold land and buildings	–	142
– other properties leased for own use	834	3,874
	<u>1,300</u>	<u>6,008</u>
(Gain)/loss on disposal of property, plant and equipment:		
– owned property, plant and equipment	(105)	29
– right-of use assets included within:		
– leasehold land and buildings	–	(3,830)
– other properties leased for own use	(49)	–
	<u>(154)</u>	<u>(3,801)</u>
Gain on disposal of investment properties	–	(2,000)
Loss on disposal of an associate	–	3,527
Loss on disposal of a subsidiary	–	2,838
	<u>–</u>	<u>–</u>
Impairment losses on property, plant and equipment:		
– owned property, plant and equipment	1,475	1,165
– right-of-use assets included within:		
– office equipment	–	448
– other properties leased for own use	1,597	9,626
	<u>1,597</u>	<u>9,626</u>
	<u>3,072</u>	<u>11,239</u>
Written off of prepayments, deposits and other receivables	1,435	–
Net foreign exchange (gain)/loss	(1,065)	118
Direct operating expenses arising from investment properties that did not generate rental income during the year	–	6
Short-term leases expenses	225	946
Variable lease payments not included in the measurement of lease liabilities	60	50
	<u>60</u>	<u>50</u>
Staff costs (excluding directors' remuneration):		
– Salaries and other benefits	13,009	31,070
– Share-based payments	585	–
– Retirement scheme contribution	539	1,441
	<u>14,133</u>	<u>32,511</u>

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

- cost of sales of approximately HK\$307,000 (2021: Nil) for the year;
- selling and distribution costs of approximately HK\$67,000 (2021: HK\$28,000) for the year; and
- administrative expenses of approximately HK\$92,000 (2021: HK\$1,708,000) for the year.

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

- cost of sales of HK\$715,000 (2021: Nil) for the year; and
- administrative expenses of approximately HK\$119,000 (2021: HK\$4,272,000) for the year.

6. FINANCE COST

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank borrowings	–	39
Interest on lease liabilities	<u>394</u>	<u>632</u>
	<u><u>394</u></u>	<u><u>671</u></u>

7. INCOME TAX CREDIT AND DEFERRED TAX

- (i) The amounts of income tax in the consolidated statement of comprehensive income represent:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax–Hong Kong		
– Over provision in respect of prior years	(214)	(182)
Deferred tax	<u>–</u>	<u>(51)</u>
	<u><u>(214)</u></u>	<u><u>(233)</u></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 years ended 31 March 2022 and 2021.

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the years ended 31 March 2022 and 2021, except for one subsidiary of the Company which is a qualifying corporation under the two-tiered profits tax rate regime and is calculated at 8.25% on the first HK\$2 million of estimated assessable profits and at 16.5% for the portion of the estimated assessable profits above HK\$2 million.

Subsidiary of the Company established in the PRC is subjected to PRC enterprise income tax at 25%. No PRC enterprise income tax has been provided as the Group did not generate any assessable profits in the PRC during the years ended 31 March 2022 and 2021.

- (ii) Details of the deferred tax liabilities recognised and movements during the years are as follows:

	Accelerated tax depreciation <i>HK\$'000</i>
At 1 April 2020	51
Credited to profit or loss for the year (note 7(i))	<u>(51)</u>
At 31 March 2021, 1 April 2021 and 31 March 2022	<u><u>–</u></u>

8. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 March 2022 (2021: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK\$17,921,000 (2021: HK\$32,890,000) and 509,859,000 (2021: 509,859,000) weighted average number of ordinary shares in issue during the year.

No diluted loss per share is presented for the year ended 31 March 2021 as there was no potential ordinary share issued during the year. The computation of diluted loss per share does not assume the exercise of the Company's share options for the year ended 31 March 2022 as the adjusted exercise price of the Company's share options was higher than the average market price for shares during the period when those options are outstanding.

10. PROPERTY, PLANT AND EQUIPMENT

In view of the operating losses of certain subsidiaries and adverse impacts arising from the outbreak of COVID-19, the directors have performed an impairment assessment of the property, plant and equipment of these subsidiaries as at 31 March 2022.

Property, plant and equipment were tested at the level of cash-generating units of travel and travel related business and food and beverage business (2021: travel and travel related business).

The recoverable amounts of the cash-generating units of travel and travel related business were determined to be insignificant based on the value in use calculations covering detailed 18-month (2021: 21-month) budget plans approved by the management and a pre-tax discount rate of 17% (2021: 14%) estimated by the management.

The recoverable amount of the cash-generating unit of food and beverage business was determined to be HK\$2,343,000 based on the value in use calculation covering detailed 29-month (2021: not applicable) budget plan approved by the management and a pre-tax discount rate of 16% (2021: not applicable) estimated by the management.

An impairment loss of approximately HK\$3,072,000 (2021: HK\$11,239,000) was recognised in respect of the property, plant and equipment of these subsidiaries during the year ended 31 March 2022.

11. TRADE RECEIVABLES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 30 days	169	29
31 – 90 days	22	–
Over 90 days	62	11
	<u>253</u>	<u>40</u>

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

12. TRADE PAYABLES

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

	2022 HK\$'000	2021 HK\$'000
0 – 30 days	841	558
31 – 90 days	137	338
Over 90 days	<u>3,354</u>	<u>4,270</u>
	<u>4,332</u>	<u>5,166</u>

13. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	<u>2,000,000</u>	<u>20,000</u>
	Number of shares '000	Amount HK\$'000
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.01 each At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	<u>509,859</u>	<u>5,099</u>

DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 March 2022 (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from 19 August 2022 to 24 August 2022, both days inclusive, for the purpose of determining the entitlement to attend and vote at the annual general meeting (“AGM”) scheduled to be held on 24 August 2022. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company’s Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 18 August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the year ended 31 March 2022, the business operations and financial performance of the Group continued to be adversely affected by the Coronavirus Disease 2019 (“COVID-19”) pandemic and its variants. During the year, the Group recorded a loss attributable to owners of the Company of HK\$17.9 million, as compared with the loss attributable to owners of the Company of HK\$32.9 million for the previous year. The Group’s total customer sales proceeds was HK\$48.5 million, representing an increase of 54.5% as compared with HK\$31.4 million for the previous year. The total revenue was HK\$10.3 million, representing an increase of 60.9% as compared with HK\$6.4 million for the previous year.

Overall, the Group’s loss for the year was HK\$17.9 million, compared with the loss of HK\$32.9 million for the previous year. Loss per share attributable to owners of the Company for the year was HK3.5 cents (2021: HK6.5 cents). The Board has resolved not to recommend the payment of a final dividend for the year ended 31 March 2022 (2021: 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 year, The Hong Kong Government continued to enforce stringent border controls and quarantine measures to contain the COVID-19 pandemic, which dampened leisure travel sentiment. The business operation and performance of this business line continued to be adversely affected. In response to the unprecedented impact of the pandemic, the Group continued to implement stringent cost control measures, including streamlining the branch network, reducing staff costs, negotiating with landlords for rental reduction and early termination of various tenancies. As staycation became increasingly popular, we provided a wide variety of choices of local hotel packages to cater for customers’ different preferences. Furthermore, the popularity of domestic tourism has ramped up so that we offered local one day tours with different themes and features. The management kept monitoring the market conditions and adopted flexible measures to align with the market needs.

The Group's online business is operated through the online trading platform www.texpert.com that focused on selling travel products like theme park tickets, train and bus tickets, boat tickets and etc. During the year, we spent extra resources to enhance this online trading platform. Through this sales channel, the Group actively promoted staycation packages of local hotels to enable customers to enjoy vacations or visiting local attractions amid times of combating the pandemic. Furthermore, we continued to obtain exclusive staycation packages from various hotels in Hong Kong, including international renowned hotel brands. With our efforts, the online business recorded an increasing growth.

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 year, this business line continued to be deeply impacted by the COVID-19 pandemic. To preserve working capital, the management implemented various cost control measures, including restructuring the workforce, enhancing staff cost saving measures and seeking rent concessions from landlords. Many countries have been loosening measures of restriction as they started resuming business and social activities, yet, strict travel restrictions and quarantine measures in Hong Kong were still in force. As the outbound package tours of this business line have halted since mid-March 2020, it strived to keep the business afloat by offering a wide range of services and activities of local one-day tours with different attractions to enable customers to enjoy domestic leisure experiences. The management will continuously monitor the travel restrictions and traveller quarantine arrangements. We are of the view that a recovery of this business line will only be possible when Hong Kong resume quarantine-free travel with foreign countries.

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 year, the business recorded a fair value loss on financial assets/liabilities at fair value through profit or loss of HK\$1.3 million (2021: gain of HK\$642,000) due to stock market fluctuations. 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.

During the year, the business performance of the frozen food and groceries shop "teSTORE" in Wanchai was unsatisfactory. To better allocate the Group's resources, in October 2021, we closed the shop and commenced a new business of food and beverage by opening a cafe, namely "Café Another", in Central. The establishment of this business enabled the Group to diversify its business and expand the income source.

FINANCIAL REVIEW

Other Income and Gains

Total other income and gains decreased significantly by HK\$26.5 million from HK\$34.4 million for the previous year to HK\$7.9 million for the year. Such decrease was primarily due to the decrease in government grants from HK\$19.7 million to HK\$4.1 million, the decrease in gain on lease modifications from HK\$4.8 million to HK\$170,000, the decrease in gain on disposal of property, plant and equipment from HK\$3.8 million to HK\$154,000. In addition, a gain of disposal of investment properties of HK\$2.0 million was recorded in the previous year, while no such item was recorded in the year.

Selling and Distribution Costs

For the year ended 31 March 2022, selling and distribution costs amounted to HK\$9.0 million, representing a decrease of 60.7% from HK\$22.9 million for the previous 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 significant reduction of frontline staff cost that was contributed by the reduction of frontline headcounts and less sales commission expenses and other staff costs. During the year, in response to the challenging operating environment caused by COVID-19, we further streamlined the 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 31 March 2022, the Group operated a total of 5 retail shops in Hong Kong under the brand names of Travel Expert and Premium Holidays and a café under the brand name of Café Another.

Administrative Expenses

For the year ended 31 March 2022, administrative expenses amounted to HK\$20.9 million, representing a significant decrease of 55.8% from HK\$47.3 million for the last year, which was mainly due to the decrease in staff costs (including salaries and bonus), impairment losses on assets, depreciation expenses 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 year was HK\$394,000, which was related to the interest on lease liabilities (2021: HK\$671,000, of which as to HK\$39,000 was related to the interest-bearing bank borrowing and as to HK\$632,000 was related to the interest on lease liabilities).

Liquidity, Financial Resources and Capital Resources

The Group generally finances its liquidity requirements through internally generated resources and will only finance with available banking facilities whenever necessary. For the year ended 31 March 2022, the Group had an operating cash outflow of approximately HK\$7.6 million (2021: HK\$40.4 million) and the net assets value was HK\$61.2 million (2021: HK\$78.5 million). Including the time deposits over three months, the Group had total cash and cash equivalents of HK\$68.6 million as at 31 March 2022 (as at 31 March 2021: HK\$76.5 million). As at 31 March 2022, the Group had a portfolio of financial assets and liabilities at fair value through profit or loss of HK\$2.2 million (as at 31 March 2021: HK\$4.1 million).

As at 31 March 2022, the Group did not have any outstanding bank borrowing (as at 31 March 2021: Nil).

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 March 2022.

Capital Commitments

As at 31 March 2022, the Group had commitments in respect of capital expenditure were contracted but not provided for the acquisition of property, plant and equipment of HK\$172,000 (as at 31 March 2021: Nil).

Pledge of Assets

As at 31 March 2022, the Group's bank deposits of HK\$5.0 million were pledged to a broker and banks to secure derivative financial instruments and banking facilities granted to the Group (as at 31 March 2021: HK\$15.2 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 year ended 31 March 2022, the Group recorded exchange gain of approximately HK\$1.1 million (2021: exchange loss of approximately HK\$118,000).

Human Resources and Employee's Remuneration

As at 31 March 2022, the Group had a total workforce of 92 (as at 31 March 2021: 85), of which about 44.6% 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 (the "Share Option Scheme") on 6 September 2011 to recognize the contributions of our staff and to provide them with incentives to stay with the Group. During the year, the Group granted share options to certain eligible persons and Directors of the Company. The Share Option Scheme was terminated on 29 September 2021 and the options granted prior to the termination remain valid for exercise. 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.

OUTLOOK

Tourism is one of the sectors hardest hit by the COVID-19 pandemic and the recovery is highly uncertain. Although governments around the world implemented large scale vaccination campaigns, which play a pivotal role in boosting customers' confidence about travelling overseas, the travel industry remain extremely challenging.

The Group will continue to monitor closely the market development and take flexible measures and strategies to tackle challenges. We will actively seek for business opportunities to enhance the Group's earning capability. The Group will adhere to our prudent cost control measures so as to optimize overall cost structure. To navigate in the storm, the top priority of the Group's management is to manage our costs and working capital and to retain strength for the Group's sustainable development.

The management is of the view that the Group has sufficient working capital to support the Group's operation needs. We are well positioned in the market on providing quality services and products and will continue to strength our competitiveness. We believe with the tremendous efforts by all our staff, the Group is well positioned to overcome the challenges ahead and regain the leading market position so as to create long-term value for shareholders.

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

During the year ended 31 March 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the year ended 31 March 2022, 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 year, regular meetings were held in line with the meeting schedule as planned in the preceding year. Three 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 proposal of restaurant business, retirement and election of independent non-executive of the Company and discussions of business opportunities. 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 REPORT

The following is an extract of the independent auditor’s report on the Group’s annual financial statements for the year ended 31 March 2022:

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 2.1 to the consolidated financial statements, which indicates that the Group recorded a loss for the year of approximately HK\$17,923,000 and operating cash outflows of approximately HK\$7,646,000 during the year ended 31 March 2022. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed and discussed with the management and the Company’s external auditors the annual results of the Group for the year ended 31 March 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiry of all Directors, the Directors of the Company confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 March 2022.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement of the Group for the year ended 31 March 2022 is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.tegroup.com.hk. The annual report will be published on the same websites and dispatched to shareholders in due course.

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

Hong Kong, 28 June 2022

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. Chau Kwok Wing, Kelvin, Mr. Mak King Sau and Mr. Yung Ha Kuk, Victor.