

專業旅運(亞洲)企業有限公司

Travel Expert (Asia) Enterprises Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1235

2011/2012
INTERIM REPORT



專業旅運
Travel **Expert** Ltd.





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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Ko, Wai Ming Daniel
(Chairman)

Ms. Cheng, Hang Fan
(Chief Executive Officer)

Mr. Kam, Tze Ming Alfred
(Chief Operating Officer)

Independent non-executive Directors

Mr. Mak, King Sau

Mr. Szeto, Chi Man

Mr. Yung, Ha Kuk Victor

AUDIT COMMITTEE

Mr. Yung, Ha Kuk Victor (Chairman)

Mr. Mak, King Sau

Mr. Szeto, Chi Man

NOMINATION COMMITTEE

Mr. Mak, King Sau (Chairman)

Mr. Ko, Wai Ming Daniel

Mr. Szeto, Chi Man

Mr. Yung, Ha Kuk Victor

REMUNERATION COMMITTEE

Ms. Cheng, Hang Fan (Chairman)

Mr. Mak, King Sau

Mr. Szeto, Chi Man

Mr. Yung, Ha Kuk Victor

COMPANY SECRETARY

Ms. Cheng, Yin Wah

AUDITORS

BDO Limited

COMPLIANCE ADVISER

OSK Capital Hong Kong Limited

PRINCIPAL BANKERS

Hang Seng Bank Limited
UBS AG, Hong Kong Branch

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Butterfield Fulcrum Group
(Cayman) Limited
Butterfield House
68 Fort Street
P. O. Box 609
Grand Cayman KY1-1107
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1st Floor
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18 Connaught Road Central
Hong Kong
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MESSAGE FROM THE CHAIRMAN

Dear Honourable Shareholders,

2011 is an important year in our corporate history. In addition to our 25th anniversary, our Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 30 September 2011 by way of a placing and public offer of 100,000,000 new shares (“Share Offer”). We believe our presence and brand name in Hong Kong have been expanded upon the listing, which are essential to the development of our Group’s businesses. In addition, the proceeds from the Share Offer will be applied to develop our corporate sales business and support our possible regional expansion. As such, our revenue base will be strengthened and become more diversified.

PROSPECTS

In the coming few months, our head office covering the entire back office operation will be relocated to one single premise from three separate premises at different locations in Central, Hong Kong. This will substantially improve our internal communication and thus enhance the efficiency of our back office operation and also create new spaces for training purposes. Looking ahead, we will continue to improve our training, streamline internal process flow and introduce new information technology system so as to ensure the delivery of quality products and services to our customers. This will in turn further strengthen our position as a one-stop-shop FIT specialist who has the widest range of products to attend to the needs of our travellers, and bring maximum value to our shareholders.

APPRECIATION

On behalf of the Board, I wish to express my sincere gratitude to our shareholders and business partners for their continued support, and to our employees for their dedication and hard work.

Ko, Wai Ming Daniel

Chairman and Executive Director

Hong Kong, 28 November 2011

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the six months ended 30 September 2011 (the “period under review”), our Group achieved growth in revenue reaching approximately HK\$108.8 million (for the six months ended 30 September 2010: HK\$97.95 million), representing an increase of 11.08%. Notwithstanding such double-digit growth recorded, profit for the period attributable to owners of our Company decreased from HK\$15.09 million in the six months ended 30 September 2010 to approximately HK\$12.04 million for the period under review, which was primarily attributable to the growth in our Group’s revenue being offset by the increase in both selling and distribution costs and administrative expenses. Basic earnings per share attributable to owners of our Company for the six months ended 30 September 2011 was HK\$0.030 as compared to HK\$0.038 for the same period last year.

GROSS SALES PROCEEDS AND REVENUE

	Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Retail customers	687,791	612,736
Corporate customers	28,911	40,646
Gross sales proceeds	716,702	653,382
Cost of travel related products (net of service providers and suppliers’ incentive income)	(607,901)	(555,437)
Revenue	108,801	97,945

During the period under review, sales proceeds from retail customers increased to approximately HK\$687.79 million from HK\$612.74 million for the six months ended 30 September 2010, representing an increase of 12.25%, which was attributable to an increase in the number of retail shops and devotion of more efforts in marketing and promotion activities. Retail sales have been the primary focus of our Group and it is operated primarily through Travel Expert Limited (專業國際旅運有限公司).

Japan was one of the leading outbound destinations in terms of expenditure in Hong Kong. During the period under review, impact from the earthquake and subsequent tsunami, as well as the nuclear radiation leaks which struck north eastern Japan since March 2011, have brought adverse effect to our business operations in a certain extent.



Sales proceeds from corporate customers decreased to approximately HK\$28.91 million from HK\$40.65 million for the six months ended 30 September 2010, representing a decrease of 28.87%. The decrease was within the expectation of our Group because it was mainly due to the restructuring of sales team and management of the business services at the beginning of 2011. Indeed the restructuring is still under process. We set up Travel Expert Business Services Limited (專業旅運商務有限公司) (“TEBSL”) as a new brand under our Group for developing the corporate business. A new full time senior executive reported duty in mid July 2011, who is responsible for leading the expansion of the corporate business for our Group. We are also recruiting new account executives so as to strengthen our sales and business development capabilities with a focus on corporate customers. A new information system was implemented in TEBSL with Go-Live date in October 2011 for streamlining certain work procedures and enhancing certain reporting functions with a view to improving our service standards to a higher level.

Hence, gross sales proceeds increased to approximately HK\$716.70 million from HK\$653.38 million for the six months ended 30 September 2010, representing an increase of 9.69%. After deducting the cost of travel related products, net of the incentive income from service provider(s), airlines and other travel products suppliers (primarily consists of cost of air tickets, hotel accommodations and other travel related products, such as visa processing and travel insurance processing) of approximately HK\$607.90 million for the six months ended 30 September 2011 (six months ended 30 September 2010: HK\$555.44 million), revenue was HK\$108.80 million for the period under review, an increase of approximately 11.08% from the same period last year (six months ended 30 September 2010: HK\$97.95 million).

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs were approximately HK\$75.43 million for the six months ended 30 September 2011, an increase of 15.06% from HK\$65.56 million for the same period last year. During the period under review, our selling and distribution expenses representing approximately 69.33% of our revenue, an increase of 2.40% from 66.93% in the same period last year.

Salaries for front line staff were approximately HK\$41.59 million that accounted for the vast majority of our selling and distribution costs, representing 55.14% of our selling and distribution costs for the six months ended 30 September 2011, an increase of HK\$3.28 million from HK\$38.31 million in the same period last year. This was attributable to an expansion of our front line staff for the handling of higher business volume. Rents and rates on retail shops of approximately HK\$16.53 million accounted for 21.91% of our selling and distribution costs for the six months ended 30 September 2011, an increase of HK\$2.26 million from HK\$14.26 million in the same period last year. This was attributable to a general increase in rent of retail property during the period that was in line with the market trend and an increase in the number of outlets. As at 30 September 2011, we operated a total of 54 retail shops across Hong Kong, an increase of 25.58% from 43 retail shops as at 30 September 2010. Advertising and

promotion accounted for 8.55% of our selling and distribution costs for the six months ended 30 September 2011, an increase of 1.5% from 7.05% in the same period last year. This was attributable to increase of promotion and publicity activities for the listing as well as the 25th Anniversary event.

We also cooperate with some independent tourism organisations and working parties for participating in promotional events, and receive certain sponsorship/subsidies from them. The joint advertising income represented approximately 56.30% of our other income for the six months ended 30 September 2011.

ADMINISTRATIVE EXPENSES

Administrative expenses were approximately HK\$20.90 million for the six months ended 30 September 2011, an increase of 43.79% from HK\$14.53 million for the same period last year. During the period under review, our administrative expenses representing approximately 19.21% of our revenue, an increase of 4.37% from 14.84% in the same period last year.

Salaries for back office staff were approximately HK\$12.83 million that accounted for the vast majority of our administrative expenses, representing 61.38% of our administrative expenses for the six months ended 30 September 2011, an increase of HK\$3.57 million from HK\$9.26 million in the same period last year. This was attributable to the increase of senior management headcounts as well as the general increment of salary benefit to enhance the back office support quality. Professional fees and listing related charges represented approximately 14.22% of our administrative expenses for the six months ended 30 September 2011, an increase of 0.45% from 13.77% in the same period last year. This was attributable to a significant increase in the professional fees and related charges incurred in pursuing for the listing on the Main Board of The Stock Exchange of Hong Kong Limited. Rents and rates on back office were approximately 5.79% of our administrative expenses for the six months ended 30 September 2011, a slight increase of 0.05% from 5.74% in the same period last year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

The Group generally finances our liquidity requirements through the internally generated resources and only finance with available banking facilities from time to time whenever necessary. We continued to hold abundant cash and cash equivalents of approximately HK\$74.65 million as at 30 September 2011 (31 March 2011: HK\$94.87 million).

The Group did not hold any significant financial investment as at 30 September 2011.

As at 30 September 2011, the Group's current ratio (current assets divided by current liabilities) was approximately 1.34 times compared with 1.05 times as at 31 March 2011, and the gearing ratio (interest-bearing borrowings divided by equity attributable to owners of the Company) as at 30 September 2011 was approximately 7.9% as compared with nil as at 31 March 2011.



CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

Our Group did not have any contingent liabilities as at 30 September 2011. Save for the capital commitment in respect of the removal project of our head office to 9th Floor, Kowloon Plaza, No. 485 Castle Peak Road, Kowloon, Hong Kong classified under property, plant and equipment amounting to approximately HK\$3.07 million as at 30 September 2011 (31 March 2011: HK\$40.85 million), our Group did not have any other material capital commitment as at 30 September 2011.

PLEDGE OF ASSETS

As at 30 September 2011, our Group had an outstanding mortgage loan amounting to approximately HK\$6.89 million with a repayable on demand clause, which was secured by the Group's land and building. The interest rate of such bank loan was at 1.75% per annum over 1 month HIBOR.

FOREIGN EXCHANGE RISKS AND TREASURY POLICIES

Our Group has foreign currency exposures. Such exposures mainly arise from the balance of assets and liabilities in currencies other than in Hong Kong dollar, our Group's functional currency. Our Group's policy requires the management to monitor our 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 purposes of meeting our future payment obligation in foreign currency.

For the period under review, an exchange gain of approximately HK\$0.58 million was recorded (six months ended 30 September 2010: exchange gain of HK\$0.54 million).

HUMAN RESOURCES AND TRAINING

As at 30 September 2011, the Group had a total workforce of 474 (30 September 2010: 448), of which 78% were front line staff. We recognize that our asset base resides in the respective area of specialization that these employees are experienced. We have realised the need to utilise the wisdom of professionals to improve our operation process.

EMPLOYEES' REMUNERATION

The Group participates in various employees' benefit plans such as retirement benefit scheme and medical insurance. The Group also make contributions to the retirement funds in compliance in all material respects with the requirements of the laws and regulations of Hong Kong.

The Group and its employees in Hong Kong contribute to the mandatory provident fund in accordance with the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) and relevant requirements.

USE OF PROCEEDS

The monies from the Public Offer (after deduction of fees and expenses of the receiving banker and Hong Kong branch share registrar) were transferred from the receiving banker to the Company on 30 September 2011. The monies from the Placing (after deduction of the underwriting commission for the Share Offer, as well as the fees and expenses of a number of professional parties in relation to the listing of the Company and the Share Offer), in an aggregate amount of approximately HK\$37.9 million, were presented as other receivables in the consolidated statement of financial position of the Company as at 30 September 2011 and were subsequently transferred from the sole bookrunner in the Share Offer to the Company on 3 October 2011, being the first business day after the listing of the Company on the Stock Exchange. As at 30 September 2011, the net proceeds from the Share Offer were not utilized.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2011.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules on the date of its listing on 30 September 2011, which being the end of the period under review.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed and discussed with the management of the Company the unaudited interim results for the six months ended 30 September 2011. BDO Limited, independent auditor of the Company, also reviewed the interim financial information 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 Hong Kong Institute of Certified Public Accountants.

MODEL CODE FOR SECURITIES TRANSACTIONS BY 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 Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules during the six months ended 30 September 2011.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30 September 2011, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

(A) LONG POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

(i) Ordinary shares of HK\$0.01 each (the “Shares”) of the Company

Name of Director	Nature of interests	Number of Shares held	Approximate percentage of the issued Shares
Mr. Ko, Wai Ming Daniel (“Mr. Ko”)	Corporate (Note a)	352,880,000	70.58%
Ms. Cheng, Hang Fan (“Mrs. Ko”)	Corporate (Note a)	352,880,000	70.58%

(ii) Pre-IPO share options

Name of Director	Nature of interests		Total number of underlying Shares held (Note b)	Approximate percentage of the issued Shares
	Beneficial owner	Family interests		
Mr. Ko	500,000	500,000 (Note c)	1,000,000	0.2%
Mrs. Ko	500,000	500,000 (Note c)	1,000,000	0.2%
Mr. Kam, Tze Ming Alfred	5,000,000	—	5,000,000	1.0%

(B) LONG POSITION IN SHARES AND UNDERLYING SHARES OF ASSOCIATED CORPORATIONS

Name of Director	Name of associated corporations	Nature of interests		Total number of shares held	Approximate percentage of the issued shares
		Beneficial owner	Family interests (Note d)		
Mr. Ko	Colvin & Horne Holdings Limited ("CHHL")	3	2	5	100%
Mrs. Ko	CHHL	2	3	5	100%

Notes:

- The Shares are owned by CHHL, which is owned as to 60% and 40% by Mr. Ko and Mrs. Ko respectively.
- The underlying shares represent the share options granted under the Pre-IPO share option scheme adopted by the Company on 31 March 2011 (the "Pre-IPO Share Option Scheme").
- Each of Mr. Ko and Mrs. Ko was granted options under the Pre-IPO Share Option Scheme to subscribe for 500,000 Shares. Mr. Ko and Mrs. Ko are spouses. Pursuant to Part XV of the SFO, Mr. Ko is deemed to be interested in the shares subject to the share option granted to Mrs. Ko and Mrs. Ko is deemed to be interested in the shares subject to the share option granted to Mr. Ko.
- Mr. Ko and Mrs. Ko are spouses. Pursuant to the Part XV of the SFO, Mr. Ko is deemed to be interested in the shares owned by Mrs. Ko and Mrs. Ko is deemed to be interested in the shares owned by Mr. Ko.

Save as disclosed above, as at 30 September 2011, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of SFO) which are required, pursuant to section 352 of the SFO, to be entered in the registers referred to therein or are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30 September 2011, so far as is known to Directors, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company as recorded in the registered required to be kept under section 336 of the SFO.

Name of Director	Nature of interests		Total number of Shares held	Approximate percentage of the issued Shares
	Beneficial owner	Family interests		
CHHL (Note a)	352,880,000	—	352,880,000	70.58%
Mr. Chu Hung Kwan ("Mr. Chu") (Note b)	18,285,000	11,500,000	29,785,000	5.96%
Ms. Tai Kan Yuet ("Mrs. Chu") (Note b)	11,500,000	18,285,000	29,785,000	5.96%

Notes:

- (a) CHHL is owned by Mr. Ko and Mrs. Ko as to 60% and 40% respectively and its interests in Shares are included in the corporate interests of Mr. Ko and Mrs. Ko as disclosed in the section headed "Directors Interests in Share Capital" above.
- (b) Mr. Chu and Mrs. Chu are independent third parties. As they are spouses, pursuant to Part XV of the SFO, Mr. Chu is deemed to be interested in the Shares owned by Mrs. Chu and Mrs. Chu is deemed to be interested in the shares owned by Mr. Chu.

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 30 September 2011, had an interest or a short position in the Shares or underlying Shares of the Company which are recorded in the registered required to be kept under Section 336 of the SFO or notified to the company pursuant to the SFO.

SHARE OPTIONS

The Pre-IPO Share Option Scheme was adopted on 31 March 2011 and options carrying rights to subscribe for a total of 23,704,000 Shares were granted to 225 eligible participants of the Group, including the three executive Directors, under the Pre-IPO Share Option Scheme in September 2011. The purpose of the Pre-IPO Share Option Scheme is to recognize the contribution of and to provide incentives to eligible participants (including employees or proposed employees (whether full time or part time employee, including any director)) who have contributed or will contribute to the Group. Pre-IPO share options which entitled to subscribe for 316,000 shares were lapsed and 23,388,000 shares remained outstanding at the date of this report.

The Share Option Scheme was conditionally adopted by the Company on 6 September 2011. No option was granted, exercised, cancelled or lapsed under the Share Option Scheme during the period under review.



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INDEPENDENT REVIEW REPORT

To the Board of Directors of Travel Expert (Asia) Enterprises Limited
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 14 to 28 which comprises the consolidated statement of financial position of Travel Expert (Asia) Enterprises Limited as of 30 September 2011 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Directors are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements (“HKSRE”) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKFRS.

OTHER MATTER

The comparative consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 September 2010 have not been reviewed in accordance with HKSRE 2410.

BDO Limited

Certified Public Accountants
Hong Kong

Lo Ngai Hang

Practising Certificate Number P04743

28 November 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Notes	Six months ended 30 September	
		2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
Revenue	5	108,801	97,945
Other income	5	2,295	709
Selling and distribution costs		(75,430)	(65,555)
Administrative expenses		(20,898)	(14,534)
Profit from operations	6	14,768	18,565
Finance costs	7	(23)	—
Profit before income tax		14,745	18,565
Income tax expense	8	(2,706)	(3,480)
Profit for the period		12,039	15,085
Other comprehensive income			
Fair value (loss)/gain on available-for-sale financial assets		(142)	45
Reclassification adjustment for disposal of available-for-sale financial assets		175	—
Other comprehensive income for the period, net of tax		33	45
Total comprehensive income for the period attributable to owners of the Company		12,072	15,130
		HK\$	HK\$
Earnings per share for profit attributable to owners of the Company during the period	9		
– Basic		0.030	0.038
– Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2011

		30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	49,387	4,401
Deposit paid for acquisition of property, plant and equipment		—	2,150
Available-for-sale financial assets		—	7,856
		<u>49,387</u>	<u>14,407</u>
Current assets			
Inventories		1,021	723
Trade receivables	12	6,407	5,264
Prepayments, deposits and other receivables		65,637	34,398
Cash and cash equivalents	13	74,652	94,866
Pledged deposits	13	10	34
		<u>147,727</u>	<u>135,285</u>
Current liabilities			
Trade payables	14	80,902	87,616
Accrued charges, deposits received and other payables		18,277	29,506
Amount due to a director		300	—
Dividend payable		—	10,000
Bank borrowing	15	6,883	—
Provision for tax		3,828	1,122
		<u>110,190</u>	<u>128,244</u>
Net current assets		<u>37,537</u>	<u>7,041</u>
Net assets/Total assets less current liabilities		<u><u>86,924</u></u>	<u><u>21,448</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	5,000	—
Reserves		81,924	21,448
Total equity		<u><u>86,924</u></u>	<u><u>21,448</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Available- for-sale financial assets revaluation reserve HK\$'000	Proposed final dividend HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2010	—	—	—	(9,000)	16,196	—	8,000	4,197	19,393
Interim dividend declared	—	—	—	—	—	—	—	(7,000)	(7,000)
Final dividend declared	—	—	—	—	—	—	(8,000)	—	(8,000)
Capital contribution	—	—	—	—	10,015	—	—	—	10,015
Transactions with owners	—	—	—	—	10,015	—	(8,000)	(7,000)	(4,985)
Profit for the period	—	—	—	—	—	—	—	15,085	15,085
Other comprehensive income									
– Fair value gain on available- for-sale financial assets	—	—	—	—	—	45	—	—	45
Total comprehensive income for the period	—	—	—	—	—	45	—	—	15,130
At 30 September 2010 (unaudited)	—	—	—	(9,000)	26,211	45	—	12,282	29,538
At 1 April 2011	—	—	—	(9,000)	—	(33)	—	30,481	21,448
Issue of shares	1,000	62,000	—	—	—	—	—	—	63,000
Share issue expenses	—	(9,890)	—	—	—	—	—	—	(9,890)
Shares capitalisation	4,000	(4,000)	—	—	—	—	—	—	—
Recognition of share-based payments	—	—	294	—	—	—	—	—	294
Transactions with owners	5,000	48,110	294	—	—	—	—	—	53,404
Profit for the period	—	—	—	—	—	—	—	12,039	12,039
Other comprehensive income									
– Fair value loss on available- for-sale financial assets	—	—	—	—	—	(142)	—	—	(142)
– Reclassification adjustment for disposal of available-for-sale financial assets	—	—	—	—	—	175	—	—	175
Total comprehensive income for the period	—	—	—	—	—	33	—	12,039	12,072
At 30 September 2011 (unaudited)	5,000	48,110	294	(9,000)	—	—	—	42,520	86,924



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Six months ended	
	30 September	
	2011	2010
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash generated from operating activities	4,840	14,870
Net cash used in investing activities	(37,099)	(10,190)
Net cash generated from/(used in) financing activities	12,045	(11,564)
Net decrease in cash and cash equivalents	(20,214)	(6,884)
Cash and cash equivalents at the beginning of the period	94,866	82,958
Cash and cash equivalents at the end of the period	74,652	76,074

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

1. GENERAL INFORMATION

Travel Expert (Asia) Enterprises Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands on 18 November 2009. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company and its subsidiaries (the “Group”) is located at 1/F., Grand Building, 18 Connaught Road Central, Hong Kong. The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 30 September 2011.

The principal activity of the Group is the provision of travel related products and services.

The interim financial information for the six months ended 30 September 2011 was approved and authorised for issue by the Board of Directors on 28 November 2011.

2. BASIS OF PREPARATION

The interim financial information for the six months ended 30 September 2011 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The interim financial information is unaudited, but has 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.

In preparation for a listing of the Company’s shares on the Main Board of the Stock Exchange, a group reorganisation (the “Reorganisation”) was undertaken, pursuant to which the group companies engaged in the travel related business (the “Core Business”) owned by T. E. (Holdings) Limited were transferred to the Company. The Group is regarded as a continuing entity resulting from the Reorganisation since the management and shareholders of the Core Business and the companies which took part in the Reorganisation remained the same before and after the Reorganisation. Consequently, immediately after the Reorganisation, there was a continuation of risks and benefits to the ultimate controlling parties that existed prior to the Reorganisation. The interim financial information has therefore been prepared using the principles of merger accounting as if the Group had always been in existence. Accordingly, the results and cash flows of the Group for the six months ended 30 September 2011 and 2010 include the results and cash flows of the companies now comprising the Group from 1 April 2010 as if the current group structure had been in existence throughout the periods. The assets and liabilities of the Group as at 31 March 2011 and 30 September 2011 represent the existing book values of the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at these dates.

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s accountant’s report included in the prospectus of the Company dated 16 September 2011.

3. ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim financial information are consistent with those used in the financial statements for the year ended 31 March 2011, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning on 1 April 2011. The effect of the adoption of these standards, amendments and interpretations was not material to the Group's results of operations or financial position.

4. SEGMENT INFORMATION

The Group has identified its operating segment based on the regular internal financial information reported to the Group's executive Directors for their decisions about resources allocation and review of performance. The only component in the internal reporting to the Group's executive Directors is the Group's travel agency business which comprises the service income from the sales of travel packages including air tickets, hotel accommodation and other travel related products. In addition, the customers of the Group, based on the location at which the services were provided, are from Hong Kong and no revenue from transactions with a single customer amounts to 10 per cent or more of the Group's revenue. Accordingly, no segment disclosures are disclosed or required to be disclosed.

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the service income from the sales of air tickets, hotel accommodation and other travel related products and incentive income. An analysis of the Group's revenue and other income is as follows:

	Six months ended 30 September	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
Revenue	108,801	97,945
Other income		
Interest income on deposits in banks and financial institutions	33	171
Net fair value loss on financial assets at fair value through profit or loss	—	(234)
Dividend income	160	9
Sundry income	2,102	763
	2,295	709
Total revenue and other income	111,096	98,654

5. REVENUE AND OTHER INCOME (Cont'd)

Gross Sales Proceeds

Gross sales proceeds from the sales of air tickets, hotel accommodation and other travel related products, which does not represent revenue, comprising the price at which products have been sold inclusive of any service fees are as follows:

	Six months ended 30 September	
	2011	2010
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Gross sales proceeds	<u>716,702</u>	<u>653,382</u>

6. PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2011	2010
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit before income tax is arrived at after charging/(crediting):		
Depreciation *	2,189	1,440
Loss on disposal of property, plant and equipment	4	17
Loss on disposal of available-for-sale investments	175	—
Net fair value loss on financial assets at fair value through profit or loss	—	234
Net foreign exchange gain	(584)	(544)
Operating lease charges in respect of leasehold premises		
- Minimum leases payments	15,916	13,901
- Contingent rents **	1	24
	<u>15,917</u>	<u>13,925</u>
Operating leases in respect of office equipment	349	279
Staff costs (including directors' remuneration)		
- Wages and salaries	52,702	45,808
- Retirement scheme contribution	2,006	1,777
- Share-based payment expenses	294	—
	<u>55,002</u>	<u>47,585</u>

6. PROFIT FROM OPERATIONS (Cont'd)

* Depreciation expenses have been included in:

- selling and distribution costs approximately of HK\$1,155,000 and HK\$1,845,000 for the six months ended 30 September 2010 and 2011 respectively; and
- administrative expenses approximately of HK\$285,000 and HK\$344,000 for the six months ended 30 September 2010 and 2011 respectively.

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

7. FINANCE COSTS

	Six months ended 30 September	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
Interest charges on financial liabilities stated at amortised cost:		
Bank borrowings - wholly repayable after five years	<u>23</u>	<u>—</u>

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
Current tax – Hong Kong		
- Tax for the period	<u>2,706</u>	<u>3,480</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 Cayman Islands and BVI during the six months ended 30 September 2010 and 2011 respectively.

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the period.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK\$12,039,000 (six months ended 30 September 2010: HK\$15,085,000) divided by the weighted average number of 401,639,000 (six months ended 30 September 2010: 400,000,000) ordinary shares in issue during the period.

The number of shares used to calculate the basic earnings per share for the six months ended 30 September 2010 represents the number of shares of the Company immediately after the Reorganisation and the Capitalisation Issue (as defined and detailed in the prospectus of the Company dated 16 September 2011) but excluding any share issued pursuant to the Company's placement and public offering in September 2011.

The weighted average number of shares used to calculate the basic earnings per share for the six months ended 30 September 2011 includes the weighted average of 1,639,000 shares after the placing and public offering of the Company's shares in September 2011, in addition to the aforementioned 400,000,000 ordinary shares used in the calculation of basic earnings per share for the six months ended 30 September 2010.

No diluted earnings per share is presented as the outstanding share options were anti-dilutive during the six months ended 30 September 2011 and there was no potential ordinary share in existence during the six months ended 30 September 2010.

10. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2011 (six months ended 30 September 2010: HK\$7,000,000).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2011, the Group incurred capital expenditure of approximately HK\$45,108,000 (six months ended 30 September 2010: Nil) in land and building, approximately HK\$1,157,000 (six months ended 30 September 2010: HK\$1,774,000) in leasehold improvement, approximately HK\$632,000 (six months ended 30 September 2010: HK\$443,000) in office equipment, and approximately HK\$282,000 (six months ended 30 September 2010: HK\$603,000) in furniture and fixtures.

12. TRADE RECEIVABLES

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

	30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
0 - 30 days	5,692	4,121
31 - 90 days	715	1,143
	<u>6,407</u>	<u>5,264</u>

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

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
Cash deposits in banks and financial institutions	68,968	90,351
Short-term deposits in banks and a financial institution	5,694	4,549
	<u>74,662</u>	<u>94,900</u>
Less: Pledged deposits	(10)	(34)
Cash and cash equivalents	<u>74,652</u>	<u>94,866</u>

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 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
0 - 30 days	59,111	69,167
31 - 90 days	18,066	12,882
Over 90 days	3,725	5,567
	<u>80,902</u>	<u>87,616</u>

15. BANK BORROWING

	30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
Secured bank borrowing		
Portion due for repayment within one year	701	—
Portion due for repayment after one year which contain a repayable on demand clause	<u>6,182</u>	<u>—</u>
	<u>6,883</u>	<u>—</u>

The Group's bank borrowing is bearing floating rate at 1.75% per annum over 1 month HIBOR as at 30 September 2011. They are secured by the Group's land and building approximately of HK\$45,108,000 as at 30 September 2011.

16. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2010 and 31 March 2011	39,000	390
Increase in authorised shares	<u>1,961,000</u>	<u>19,610</u>
At 30 September 2011	<u>2,000,000</u>	<u>20,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 April 2010 and 31 March 2011	—	—
Issue of shares	10	—
Issue of shares by way of placement and public offer	100,000	1,000
Shares capitalisation	<u>399,990</u>	<u>4,000</u>
At 30 September 2011	<u>500,000</u>	<u>5,000</u>



16. SHARE CAPITAL (Cont'd)

Pursuant to the written resolutions passed by the sole shareholder of the Company dated 6 September 2011, the authorised share capital of the Company was increased from HK\$390,000 to HK\$20,000,000 by the creation of an additional 1,961,000,000 shares to rank pari passu with the existing shares in all respect.

On 6 September 2011, the Company allotted and issued 10,000 ordinary shares of HK\$0.01 each as consideration for acquisition of Travel Expert Enterprises Limited from T. E. (Holdings) Limited.

Pursuant to written resolutions passed by the sole shareholder of the Company on 6 September 2011, the directors capitalised HK\$4,000,000 from the amount standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 399,990,000 shares.

In connection with the Company's initial public offering, the Company issued 100,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.63 each for a total consideration (before expenses) of approximately HK\$63,000,000. Dealings of the Company's shares on the Main Board of the Stock Exchange were commenced on 30 September 2011.

17. COMMITMENTS

Operating lease commitments

The Group leases certain premises and office equipment under operating lease commitments for terms ranging from one to five years. Certain leases contain an option to renew the lease and renegotiated the terms at the expiry dates or at dates mutually agreed between the Group and the landlords. In addition to the fixed rentals, pursuant to the terms of certain rental agreements, the Group has to pay a rental based on certain percentage of the gross sales proceeds of the relevant shops when the sales meets certain specified level.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
Buildings:		
Within one year	29,163	24,269
In the second to fifth years	22,569	14,231
	<u>51,732</u>	<u>38,500</u>
Other assets:		
Within one year	473	473
In the second to fifth years	356	564
	<u>829</u>	<u>1,037</u>

Capital commitments

The Group had the following capital commitments:

	30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
Property, plant and equipment:		
Contracted but not provided for	3,070	40,850
	<u>3,070</u>	<u>40,850</u>

18. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the interim financial information, the Group had the following transactions with related parties at agreed terms.

(a) Significant related party transactions during the period

	Six months ended 30 September	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
Rental expenses paid to related companies		
- Evergood Holdings Limited	432	408
- Red & White System Limited	570	570
- Wealth Asia Development Limited	374	345
- Central City International Limited	1,680	1,459
- Hombest Investment Limited	78	13
	<u>3,134</u>	<u>2,795</u>
Rental deposit paid to related companies included in prepayments, deposits and other receivables		
- Evergood Holdings Limited	216	255
- Red & White System Limited	285	285
- Wealth Asia Development Limited	187	187
- Central City International Limited	840	840
- Hombest Investment Limited	39	39
	<u>1,567</u>	<u>1,606</u>
License expenses paid to a related company		
- T. E. (Holdings) Limited	—	12
	<u>—</u>	<u>12</u>
IT expenses paid to a related company		
- 深圳市羅湖區專業軟件服務部	—	331
	<u>—</u>	<u>331</u>

Note:

The terms of the above transactions are mutually agreed by the Group and the related companies. The Directors are of the opinion that the terms were made in the ordinary course of business on normal commercial basis.

18. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Compensation of key management personnel

	Six months ended 30 September	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
Short term employee benefits	5,066	4,054
Retirement scheme contribution	65	59
	<u>5,131</u>	<u>4,113</u>