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## **Travel Expert (Asia) Enterprises Limited**

### **專業旅運(亞洲)企業有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1235)**

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012**

### **FINANCIAL HIGHLIGHTS**

- Gross sales proceeds for the six months ended 30 September 2012 was HK\$803.8 million, representing an increase of 12.2% from HK\$716.7 million for the corresponding period last year.
- Revenue for the six months ended 30 September 2012 was HK\$127.7 million, representing an increase of 17.4% from HK\$108.8 million for the corresponding period last year.
- Profit for the six months ended 30 September 2012 was HK\$15.2 million, representing an increase of 26.7% from HK\$12.0 million for the corresponding period last year.
- Excluding the impact of equity-settled share option expenses of HK\$1.8 million for the period under review and HK\$0.3 million for the corresponding period last year, the profit for the period increased by 38.2% from HK\$12.3 million for the corresponding period last year to HK\$17.0 million for the six months ended 30 September 2012.
- Earnings per share attributable to owners of the Company for the six months ended 30 September 2012 was HK3.0 cents (2011: HK3.0 cents).
- The Board has resolved not to declare any interim dividend for the six months ended 30 September 2012 (2011: Nil).

### **INTERIM RESULTS**

The board of Directors (the "Board") of Travel Expert (Asia) Enterprises Limited (the "Company") presents the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2012 together with comparative figures.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

		Six months ended 30 September	
		2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
	Notes		
<b>Revenue</b>	5	<b>127,721</b>	108,801
Other income	5	<b>2,781</b>	2,295
Selling and distribution costs		<b>(87,932)</b>	(75,430)
Administrative expenses		<b>(23,851)</b>	(20,898)
<b>Profit from operations</b>	6	<b>18,719</b>	14,768
Finance costs	7	<b>(60)</b>	(23)
<b>Profit before income tax</b>		<b>18,659</b>	14,745
Income tax expense	8	<b>(3,455)</b>	(2,706)
<b>Profit for the period attributable to owners of the Company</b>		<b>15,204</b>	12,039
<b>Other comprehensive income</b>			
Fair value loss on available-for-sale financial assets		–	(142)
Reclassification adjustment for disposal of available-for-sale financial assets		–	175
<b>Other comprehensive income for the period, net of tax</b>		–	33
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>15,204</b>	12,072
<b>Earnings per share attributable to owners of the Company</b>			
— Basic	9	<b>HK3.0 cents</b>	HK3.0 cents
— Diluted		<b>N/A</b>	N/A

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

		<b>30 September 2012 (unaudited) HK\$'000</b>	31 March 2012 (audited) HK\$'000
	<i>Notes</i>		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>11</i>	<b>51,769</b>	53,135
Deposit paid for purchase of property, plant and equipment	<i>17</i>	<b>5,080</b>	–
		<b>56,849</b>	53,135
<b>Current assets</b>			
Inventories		<b>2,051</b>	1,701
Trade receivables	<i>12</i>	<b>6,299</b>	7,985
Prepayments, deposits and other receivables		<b>35,476</b>	31,792
Prepaid tax		–	814
Time deposits over three months	<i>13</i>	<b>24,944</b>	100,000
Cash and cash equivalents	<i>13</i>	<b>123,942</b>	57,136
		<b>192,712</b>	199,428
<b>Current liabilities</b>			
Trade payables	<i>14</i>	<b>103,752</b>	110,446
Accrued charges, deposits received and other payables		<b>33,426</b>	28,104
Bank borrowing	<i>15</i>	<b>3,253</b>	6,533
Provision for tax		<b>2,725</b>	84
		<b>143,156</b>	145,167
<b>Net current assets</b>		<b>49,556</b>	54,261
<b>Net assets</b>		<b>106,405</b>	107,396
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>16</i>	<b>5,000</b>	5,000
Reserves		<b>101,405</b>	102,396
<b>Total equity</b>		<b>106,405</b>	107,396

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

*For the six months ended 30 September 2012*

### **1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company and its subsidiaries (the “Group”) is located at 9/F., Kowloon Plaza, No. 485 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 30 September 2011.

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

### **2. BASIS OF PREPARATION**

These condensed consolidated interim financial statements for the six months ended 30 September 2012 have been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

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

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2012.

### **3. ACCOUNTING POLICIES**

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the financial statements for the year ended 31 March 2012, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning on 1 April 2012. 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 amounted 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

The Group's principal activities are the provision of services relating to the sales of air tickets, hotel accommodation and other travel related products. An analysis of the Group's revenue from principal activities which is the Group's turnover and other income is as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	<b>2011</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	<b>127,721</b>	<b>108,801</b>
<b>Other income</b>		
Interest income on deposits in banks and financial institutions	942	33
Dividend income	–	160
Sundry income	1,839	2,102
	<b>2,781</b>	<b>2,295</b>
<b>Total revenue and other income</b>	<b>130,502</b>	<b>111,096</b>

### Gross Sales Proceeds

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	<b>2011</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Gross sales proceeds	<b>803,812</b>	<b>716,702</b>

## 6. PROFIT FROM OPERATIONS

	Six months ended	
	30 September	
	2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
Profit before income tax is arrived at after charging/(crediting):		
Bad debt written off	41	–
Depreciation*	3,095	2,189
Loss on disposal of property, plant and equipment	5	4
Loss on disposal of available-for-sale investments	–	175
Net foreign exchange gain	(534)	(584)
Operating lease charges in respect of leasehold premises		
— Minimum leases payments	17,637	15,916
— Contingent rents**	11	1
	<u>17,648</u>	<u>15,917</u>
Operating leases in respect of office equipment	534	349
Staff costs (including directors' remuneration)		
— Wages and salaries	63,763	52,702
— Retirement scheme contribution	2,431	2,006
— Share-based payment expenses	1,805	294
	<u>67,999</u>	<u>55,002</u>

\* Depreciation expenses have been included in:

- selling and distribution costs approximately of HK\$1,640,000 for the period ended 30 September 2012 (six months ended 30 September 2011: HK\$1,845,000); and
- administrative expenses approximately of HK\$1,455,000 for the period ended 30 September 2012 (six months ended 30 September 2011: HK\$344,000).

\*\* 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	
	2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
Interest on bank borrowings not wholly repayable within five years	<u>60</u>	<u>23</u>

## 8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2012	2011
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax — Hong Kong Tax for the period	<u>3,455</u>	<u>2,706</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the BVI during the six months ended 30 September 2011 and 2012 respectively.

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits for the period.

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company of approximately HK\$15,204,000 (six months ended 30 September 2011: HK\$12,039,000) and the 500,000,000 (six months ended 30 September 2011: 401,639,000) weighted average number of ordinary shares in issue during the period.

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

## 10. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2012 (six months ended 30 September 2011: Nil).

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2012, the Group incurred capital expenditures of nil (six months ended 30 September 2011: HK\$45,108,000) in land and building, approximately HK\$1,015,000 (six months ended 30 September 2011: HK\$1,157,000) in leasehold improvement, approximately HK\$438,000 (six months ended 30 September 2011: HK\$632,000) in office equipment, and approximately HK\$281,000 (six months ended 30 September 2011: HK\$282,000) in furniture and fixtures.

## 12. TRADE RECEIVABLES

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

	30 September 2012	31 March 2012
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0–30 days	4,542	6,164
31–90 days	1,213	1,564
Over 90 days	<u>544</u>	<u>257</u>
	<u>6,299</u>	<u>7,985</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. TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

	<b>30 September 2012 (unaudited) HK\$'000</b>	31 March 2012 (audited) HK\$'000
Cash deposits in banks and a financial institution	35,227	41,341
Short-term deposits in banks	<u>113,659</u>	<u>115,795</u>
	<b>148,886</b>	157,136
Less: Time deposits with an original maturity of more than three months	<u>(24,944)</u>	<u>(100,000)</u>
Cash and cash equivalents	<u><b>123,942</b></u>	<u>57,136</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, were as follows:

	<b>30 September 2012 (unaudited) HK\$'000</b>	31 March 2012 (audited) HK\$'000
0-30 days	76,031	84,713
31-90 days	21,998	20,799
Over 90 days	<u>5,723</u>	<u>4,934</u>
	<u><b>103,752</b></u>	<u>110,446</u>

### 15. BANK BORROWING

	<b>30 September 2012 (unaudited) HK\$'000</b>	31 March 2012 (audited) HK\$'000
Secured bank borrowing		
Portion due for repayment within one year	550	701
Portion due for repayment after one year which contain a repayable on demand clause	<u>2,703</u>	<u>5,832</u>
	<u><b>3,253</b></u>	<u>6,533</u>

The Group's interest bearing bank borrowing bears floating rate at 1.75% per annum over 1 month HIBOR and is secured by the Group's land and building of approximately HK\$44,061,000 as at 30 September 2012.

The current liabilities include bank borrowing of approximately HK\$2,703,000 that is not scheduled for repayment within one year. The bank borrowing is classified as current liabilities because the related loan agreement contains a clause that provides the lender with an unconditional right to demand repayment at any time at its own discretion.



## 16. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
<b>At 31 March 2012 and 30 September 2012</b>	<b>2,000,000</b>	<b>20,000</b>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
<b>At 31 March 2012 and 30 September 2012</b>	<b>500,000</b>	<b>5,000</b>

## 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 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 2012 (unaudited) HK\$'000	31 March 2012 (audited) HK\$'000
Buildings:		
Within one year	36,064	28,113
In the second to fifth years, inclusive	25,288	15,475
	<b>61,352</b>	<b>43,588</b>
Other assets:		
Within one year	195	518
In the second to fifth years, inclusive	84	119
	<b>279</b>	<b>637</b>

## Capital commitment

The Group had the following capital commitment:

	<b>30 September 2012 (unaudited) HK\$'000</b>	31 March 2012 (audited) HK\$'000
Property:		
Contracted but not provided for	<u>45,720</u>	<u>–</u>

During the six months ended 30 September 2012, the Group has entered into an agreement to acquire a property located in Yuen Long for a consideration of HK\$50,800,000. Up to 30 September 2012, the Group has paid HK\$5,080,000 as the purchase deposit. The commitment contracted but not provided for in respect of the property acquisition is HK\$45,720,000 as at 30 September 2012.

## 18. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the condensed consolidated interim financial statements, the Directors of the Company are of the view that the Group had the following transactions with related parties.

### (a) Significant related party transactions during the periods

	<b>Six months ended 30 September 2012 (unaudited) HK\$'000</b>	2011 (unaudited) HK\$'000
<b>Rental expenses paid to related companies</b>	<u>3,247</u>	<u>3,134</u>
<b>Rental deposit paid to related companies included in prepayments, deposits and other receivables</b>	<u>1,427</u>	<u>1,567</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 and on normal commercial basis.

**(b) Key management personnel remuneration**

Remuneration for key executives of the Group who have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors, is as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Short term employee benefits	<b>2,460</b>	2,495
Retirement scheme contribution	<b>28</b>	17
Share-based payment expenses	<b>685</b>	106
	<b>3,173</b>	2,618

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERVIEW**

For the six months ended 30 September 2012 (the “period under review”), the Group recorded satisfactory business growth with revenue amounting to HK\$127.7 million (for the six months ended 30 September 2011: HK\$108.8 million), representing an increase of 17.4%. The increase was primarily contributed by the considerable revenue growth in the Group's retail business. Profit for the period attributable to owners of the Company increased by 26.7% from HK\$12.0 million in the same period last year to HK\$15.2 million for the period under review. This was mainly due to expansion of sales network, enhancement in service quality and improvement in management efficiency. Basic earnings per share attributable to owners of the Company for the six months ended 30 September 2012 was HK3.0 cents (six months ended 30 September 2011: HK3.0 cents).

### **BUSINESS REVIEW**

The Group operated its Hong Kong retail business mainly through Travel Expert Limited (專業國際旅運有限公司), which is the core focus of the Group. During the period under review, sales performance from retail customers has demonstrated considerable growth, which was attributable to the Group's efforts in identifying strategic locations for the Group's retail shops to expand its sales coverage and increased marketing effort to promote new travel destinations.

Despite the gloomy global economic outlook, individual consumers' incentive to travel has not been dampened. During the period under review, the number of customers travelling to Japan, one of the most popular travel destinations for Hong Kong people, has rebounded after the earthquake and tsunami disaster in Japan in 2011, and has even exceeded the level prior to the incident. Furthermore, in view of the nuclear crisis following the incident, the Group has

committed great effort in promoting the travel sales of other Asian countries, and the Group's efforts have paid off as the Group recorded a significant growth in revenue in respect of the South Korean market and a climb in the number of customers travelling to Singapore and Malaysia. The combination of such favorable factors has contributed to the growth in the Group's retail business for the period under review.

However, sales performance from corporate customers is negatively affected by the sluggish and unstable economic environment that exerted tremendous pressure on the operations of all industries. In view of this, reduction in operating costs is of their highest priority and thus leads to a stringent control on the travelling budget of the companies.

The Group's new business line operated under Travel Expert Business Services Limited (專業旅運商務有限公司) ("TEBSL") principally focuses on the Group's corporate business. As the Group is confident that there is immense development potential in the corporate and businesses relating to meeting, incentive, conference and exhibition ("MICE business") in the long term, the Group will continue to devote resources into these areas in the coming years.

Overall, gross sales proceeds amounted to HK\$803.8 million for the period under review, representing an increase of 12.2% as compared to HK\$716.7 million for the six months ended 30 September 2011. After deducting the cost of travel related products, net of the incentive income from service providers, airlines and other travel products suppliers (which primarily consists of cost of air tickets, hotel accommodations and other travel related products, such as visa processing and travel insurance processing) of HK\$676.1 million for the period under review (six months ended 30 September 2011: HK\$607.9 million), revenue for the period under review was HK\$127.7 million (six months ended 30 September 2011: HK\$108.8 million), representing an increase of 17.4%.

## **FINANCIAL REVIEW**

### **Selling and Distribution Costs**

Selling and distribution costs were HK\$87.9 million for the period under review, representing an increase of 16.6% from HK\$75.4 million for the same period in 2011. During the period under review, selling and distribution expenses accounted for 68.8% of the Group's revenue, a decrease of 0.5% from 69.3% in the same period last year.

Staff costs and shop rent accounted for the vast majority of the Group's selling and distribution costs. According to the HKSAR Rating and Valuation Department, there has been steady upward pressure on the average rental of retail premises in Hong Kong in previous years. Nonetheless, in order to stretch out the Group's sales network and deliver convenient and quality services to the Group's customers, the Group operated a total of 57 retail shops as at 30 September 2012. Such upsurge in rental coupled with the Group's increase in number of retail shops has resulted in intensifying cost pressure on the Group. In response, during the period under review, the Group entered into a sale and purchase agreement for the acquisition of a shop located on a busy street in Yuen Long. The Group strongly believes that such acquisition will enable the Group to keep the cost pressure under control as well as consolidate the Group's development in the future.

## **Administrative Expenses**

For the period under review, administrative expenses of the Group amounted to HK\$23.9 million, representing an increase of 14.4% from HK\$20.9 million for the six months ended 30 September 2011. Administrative expenses accounted for 18.7% of the Group's revenue during the period under review, a decrease of 0.5% from 19.2% in the same period last year.

Salaries of back office staff accounted for the majority of the Group's administrative expenses. This was attributable to the increase in headcounts as well as the increment of salary benefit.

Administrative expenses also includes computer and system maintenance. During the period under review, the Group continued to upgrade its information technology system by developing a new platform for direct booking with suppliers, so as to streamline the Group's internal process flow and deliver efficient and quality services to customers.

## **Finance Cost**

Finance cost of the Group for the six months ended 30 September 2012 was approximately HK\$60,000, which was related to an interest-bearing bank borrowing of a mortgage loan for the Group's property (for the six months ended 30 September 2011: approximately HK\$23,000).

## **Liquidity, Financial Resources and Capital Resources**

The Group generally finances its liquidity requirements through internally generated resources and will only finance with available banking facilities whenever necessary. The Group's financial position as at 30 September 2012 remained healthy with a net assets value of HK\$106.4 million (as at 31 March 2012: HK\$107.4 million). The Group recorded a strong cash inflow during the period under review. Including the time deposits over three months, the Group holds cash and cash equivalents of approximately HK\$148.9 million as at 30 September 2012 (as at 31 March 2012: HK\$157.1 million).

The Group did not hold any significant financial investment as at 30 September 2012.

As at 30 September 2012, the Group's current ratio (current assets divided by current liabilities) was 1.35 times compared with 1.37 times as at 31 March 2012, and the gearing ratio (interest-bearing borrowings divided by equity attributable to owners of the Company) was approximately 3.1% as compared with 6.1% as at 31 March 2012. In view of the Group's steady cash inflow from operations together with the surplus cash position, the Group has adequate financial resources to support its future business development and expansion plan.

## **Contingent Liabilities**

The Group did not have any contingent liabilities as at 30 September 2012.

## **Capital Commitment**

Save for the capital commitment in respect of the balance payment of HK\$45.7 million relating to the purchase of a property located in Yuen Long, the Group did not have any other material capital commitment as at 30 September 2012.

## **Pledge of Assets**

As at 30 September 2012, the Group had an outstanding mortgage loan amounting to approximately HK\$3.3 million (as at 31 March 2012: HK\$6.5 million) which was repayable on demand and secured by the Group's land and building. The interest rate of such bank loan was at 1.75% over 1 month HIBOR.

## **Foreign Exchange Risks and Treasury Policies**

The Group has foreign currency exposures. Such exposures 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.

For the six months ended 30 September 2012, an exchange gain of approximately HK\$0.53 million was recorded (six months ended 30 September 2011: exchange gain of HK\$0.58 million).

## **Human Resources and Employee's Remuneration**

As at 30 September 2012, the Group had a total workforce of 543 (as at 30 September 2011: 474), of which about 75.5% were front line staff.

Employees' remuneration package is determined by reference to the market pay and individual performance and will be reviewed on a regular basis. Other benefits include contributions to mandatory provident fund and medical insurance. In addition, the Group has granted Pre-IPO share options to certain eligible persons pursuant to a Pre-IPO share option scheme before listing in September 2011.

The remuneration policy will be reviewed by the Board from time to time. Emoluments of Directors are determined by the Remuneration Committee after considering the Group's operating results, individual performance and comparing with market conditions.

## **Event after the Reporting Period**

There was no important event affecting the Company and its subsidiaries which has occurred since the end of the six months ended 30 September 2012.

## **OUTLOOK**

Looking forward, the Group will spend efforts on the development of a brand new business line “Tailor Made Holidays (度新假期)” and the further enhancement of TEBSL’s business, with an aim to diversify the Group’s business portfolio, increase its market share and consolidate its position in the industry. The Group is also looking to proceed with its information technology system upgrade as well as migrate fully to a new GDS (Global Distribution System) provider in order to enhance its overall operation efficiency and reduce its operating cost in the future.

In view of the lingering European sovereign debt crisis, the gloomy global economic environment is expected to continue and business growth in the second half of the year may be slower as compared to the first half. Therefore, the Group will manage its retail outlet expansion and overseas business development in a prudent manner so as to minimise its risk exposure. Taking into account the continual influx of Chinese tourists into Hong Kong in the recent years, the Group will continue to monitor closely the market trend in China in order to better facilitate its local development as well as explore more business opportunities. The Group will leverage on its years of experience and expertise to ceaselessly provide customers with travel services of the highest quality and reap fruitful returns for shareholders.

## **USE OF PROCEEDS**

The proceeds from the placing and initial public offer of the Company amounted to HK\$63 million. Up to 30 September 2012, the proceeds were used for the following purposes:

- approximately HK\$0.9 million was used to increase the headcounts and resources for developing corporate and MICE business;
- approximately HK\$1.2 million was used as the setup and general operating expenses for the Group’s China business;
- approximately HK\$5.0 million was used to setup the Group’s new headquarters and upgrade of operational infrastructure; and
- approximately HK\$0.9 million was used for general working capital of the Group.

The unutilised balance has been placed at commercial banks in Hong Kong as time deposits.

## **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 2012.

## **CORPORATE GOVERNANCE**

During the six months ended 30 September 2012, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices, which was in effect before 1 April 2012, and the Corporate Governance Code, which was effective from 1 April 2012, as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

## **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 2012. 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**

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

Having made specific enquiry of all Directors, the Directors of the Company confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2012.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement of the Group for the six months ended 30 September 2012 is published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.travelexpert.com.hk](http://www.travelexpert.com.hk). The interim report will be published on the same websites and dispatched to shareholders in due course.

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

Hong Kong, 28 November 2012

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