

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



專業旅運

Travel **Expert** Ltd.

2013/2014
INTERIM REPORT



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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)

Mr. Chan Wan Fung
(Chief Financial 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. Szeto Chi Man (Chairman)

Mr. Ko Wai Ming, Daniel

Mr. Mak King Sau

Mr. Yung Ha Kuk, Victor

REMUNERATION COMMITTEE

Mr. Mak King Sau (Chairman)

Ms. Cheng Hang Fan

Mr. Szeto Chi Man

Mr. Yung Ha Kuk, Victor

COMPANY SECRETARY

Ms. Cheng Yin Wah

AUDITOR

BDO Limited

PRINCIPAL BANKER

Hang Seng Bank Limited

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

9th Floor
Kowloon Plaza
No. 485 Castle Peak Road
Lai Chi Kok
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
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COMPANY WEBSITE

www.travelexpert.com.hk

STOCK CODE

The Stock Exchange of Hong Kong
Limited: 1235

FINANCIAL HIGHLIGHTS

	Notes	Six months ended 30 September		Change
		2013 HK\$'000	2012 HK\$'000	
Profitability				
Gross sales proceeds		966,935	803,812	+20.3%
Revenue				
— Travel and travel related business		156,391	127,721	+22.4%
— Rental income from investment property		928	—	N/A
		157,319	127,721	
Profit attributable to owners of the Company		20,676	15,204	+36.0%
Earnings per share — Basic (HK cents)	1	4.1	3.0	+36.7%

Financial ratio

Return on equity (%)	2	14.8%	14.3%
Current ratio (time)	3	1.13	1.35
Gearing ratio (%)	4	18.6%	3.1%

Notes:

1. The calculation of the basic earnings per share is based on 505,634,000 (2012: 500,000,000) weighted average number of ordinary shares in issue during the period.
2. Return on equity is calculated based on the profit for the period divided by the total equity at the end of the period and multiplied by 100%.
3. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the period.
4. Gearing ratio is calculated based on the bank borrowing divided by the total equity at the end of the period and multiplied by 100%.



CHAIRMAN'S STATEMENT

Dear Honorable Shareholders,

I am pleased to report that the Group recorded a satisfactory business performance for the six months ended 30 September 2013.

Despite the operating environment in the travel industry remained challenging, the overall Group's business was able to achieve a continuous growth over the last two years. The Group managed to cope with the intense competition by improving its product portfolio, optimizing marketing strategies, enhancing staff training and service quality, expanding sales channels as well as implementing effective cost control measures. The Group will continue to open new retail shops with a cautious manner in order to strengthen its widespread sales network in the market. Along with the good reputation established over the years, the Group has confidence to maintain its leading market position under the competitive business environment.

With an aim of diversifying business and product range, the Group developed a new brand, Tailor Made Holidays (度新假期), with a view to broaden customer base by targeting at female customers as the Group believes who would be the decision makers in the travel planning process. During the period under review, two retail shops under this new brand were opened at Telford Plaza, Kowloon Bay and MTR Kowloon Station. Also, a new shop is scheduled to be opened in Tsuen Wan district in December 2013. In addition, in view of the increasing popularity of online shopping, the Group established an e-business team to capture the business opportunities of this vast public platform. It is expected that these two new business units will support the Group to further expand its market share in the retail travel business and then bring positive contribution to the Group in the future.

Last but not least, the Group has successfully established a wholly owned subsidiary, Travel Expert Asset Management Limited (專業旅運資產管理有限公司) and appointed an experienced Chief Investment Officer to take care of the investment activities. This new investment unit will help the Group better utilize the surplus fund to achieve a higher capital yield. Of course, the Group will strictly follow the approved treasury policy to manage and monitor the investment operations.



Looking ahead, the Group will continue to implement the business diversification strategy and exert effort in exploring new business opportunities including the business expansion plan in Mainland China. The Group remains optimistic of its prospect by leveraging its strengths such as the widespread sales network, highly reputable brand name, experienced and high quality front line, back office and management team. The Group will use its best endeavor to bring profitable return to shareholders.

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

Ko Wai Ming, Daniel

Chairman and Executive Director

Hong Kong, 28 November 2013




MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group continued to maintain its positive business growth for the six months ended 30 September 2013 (the "Period"). Total revenue, including rental income from investment property of HK\$0.9 million (2012: Nil), for the Period increased to HK\$157.3 million (2012: HK\$127.7 million), representing an increase of 23.2% over the corresponding period last year. Similar to the last year, the increase was primarily contributed by the revenue growth in the Group's retail business. The profit for the Period attributable to owners of the Company increased remarkably by 36.2% from HK\$15.2 million to HK\$20.7 million. Basic earnings per share attributable to owners of the Company for the Period was HK4.1 cents, representing an increase of 36.7% from HK3.0 cents over the corresponding period last year. In view of this satisfactory business result, the Board resolved to declare an interim dividend of HK1.5 cents (2012: Nil) per share.

BUSINESS REVIEW

The Group's retail business is operated mainly through Travel Expert Limited (專業國際旅運有限公司), which is the core focus of the Group. For the Period, sales performance from retail customers continued to show a satisfactory growth, which was attributable to the Group's efforts in expanding sales network, enhancing product portfolio and service quality and maintaining experienced staff. To expand its sales network coverage to enable more convenient access for customers, the Group opened new retail shops as well as expanded several selected shops. Enhancement of service quality is one of the Group's business initiatives in the Period. Thus, an internal campaign was launched to encourage frontline staff to offer customers not only professional travel related information but also high quality value-added services. During the Period, the Group organized various marketing programs to promote the wide variety of products and certain new travel destinations. The business of Japan market remained strong due to the devaluation of Japanese currency while the market of other Asian countries continued to grow steadily. Despite the continuous keen market competition in the Period, the Group demonstrated its capability to maintain its leading position in the retail travel business market.



The Group's corporate and MICE (Meeting, Incentive, Conference and Exhibition) business is operated mainly through Travel Expert Business Services Limited (專業旅運商務有限公司). For the Period, sales performance from corporate and MICE business customers made a modest contribution to the total Group's result. To further improve the performance of this segment, the Group implemented measures by reviewing its business strategy, restructuring the sales force and hiring new staff to expand its customer base. The Group will closely monitor the development of this segment.

The Group's new brand, Tailor Made Holidays (度新假期), was launched during the Period with an aim to enlarge the Group's market share on retail business. Two retail shops under the brand were opened in Telford Plaza, Kowloon Bay and MTR Kowloon Station. Certain marketing activities were carried out to promote the brand. In the near future, the Group will open the third retail shop of this brand in Tsuen Wan to increase its presence. As the brand is still at the preliminary development stage, the business generated by it is very minimal to the overall Group result.

In addition to the traditional sales channel, the Group devoted effort to expand its market share through e-business channel. During the Period, the Group has expanded the staff force of the newly established e-business sales team whose focus is on sales opportunities through e-business channels e.g. internet, smartphone etc. The Group believes that this new sales channel allows us to seize additional business opportunities. Therefore, more resources will be allocated to this new business setup in the coming years.

Overall, the Group's gross sales proceeds amounted to HK\$966.9 million for the Period, representing an increase of 20.3% as compared with HK\$803.8 million for the corresponding period last year. 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\$810.5 million for the Period (2012: HK\$676.1 million), revenue excluding the rental income from investment property of HK\$0.9 million (2012: Nil) for the Period was HK\$156.4 million, representing an increase of 22.5% from HK\$127.7 million for the corresponding period last year.



FINANCIAL REVIEW

Selling and Distribution Costs

For the Period, selling and distribution costs amounted to HK\$109.6 million, representing an increase of 24.7% from HK\$87.9 million for the corresponding period last year. For the Period, selling and distribution costs accounted for 69.7% of the Group's total revenue, having increased from 68.8% in the corresponding period last year.

Since staff costs and shop rental accounted for the majority of the Group's selling and distribution costs, the steady upward pressure on the average rental of retail premises and the increasing labour costs have primarily contributed to the increase of selling and distribution costs for the Period. In order to deliver convenient and quality services to its retail customers, the Group will continue to maintain a widespread and effective sales network. As at 30 September 2013, the Group operated a total of 62 retail shops in Hong Kong.

Administrative Expenses

For the Period, administrative expenses amounted to HK\$26.1 million, representing an increase of 9.2% over HK\$23.9 million for the corresponding period last year. Administrative expenses accounted for 16.6% of the Group's total revenue, which decreased slightly from 18.7% in the corresponding period last year.

This was partly attributable to the reduction of share-based payment expenses incurred in the corresponding period last year. In addition, the Group adopted an effective control of administrative expenses by better allocation of its back office resources. Salaries of back office staff remain accounted for the majority of the Group's administrative expenses.

Finance Cost

Finance cost of the Group for the Period was HK\$288,000, which was mainly related to the interest-bearing bank borrowing of mortgage loans for the Group's properties (2012: HK\$60,000).



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 2013 remained healthy with net assets value of HK\$139.9 million (as at 31 March 2013: HK\$133.6 million). The Group continued to record a strong cash inflow generated from operating activities during the Period. Including the time deposits over three months, the Group had total cash and cash equivalents of HK\$177.6 million as at 30 September 2013 (as at 31 March 2013: HK\$148.3 million).

As at 30 September 2013, the Group's current ratio (current assets divided by current liabilities) was 1.13 times compared with 1.11 times as at 31 March 2013. The gearing ratio (interest-bearing borrowings divided by equity attributable to owners of the Company) was 18.6% as compared with 20.5% as at 31 March 2013. In view of the Group's steady cash inflow from operations together with the surplus cash position, the Group has adequate financial resources to meet the future payment obligation and support its future business development plan.

Contingent Liabilities

The Group did not have any contingent liabilities as at 30 September 2013.

Capital Commitment

The Group did not have any significant capital commitment as at 30 September 2013.

Pledge of Assets

As at 30 September 2013, the Group had two outstanding mortgage loans amounting in total to HK\$26.0 million (as at 31 March 2013: HK\$27.4 million) which were repayable on demand and secured by the Group's land and building and investment property.



Foreign Exchange Risks and Treasury Policies

The Group has foreign currency exposures that mainly arise from the balance of assets and liabilities in currencies other than in Hong Kong dollar, the Group's functional currency. The Group's policy requires the management to monitor the Group's foreign exchange exposure by closely monitoring the movement of foreign currency rates. The management may purchase foreign currency at spot rate, when and where appropriate for the purpose of meeting the Group's future payment obligation in foreign currency. With the setup of an investment unit together with the extension of investment scope, the Group may use more financial tools such as foreign exchange forward contracts, dual currency options etc. to manage the foreign exchange risks. For the six months ended 30 September 2013, a net foreign exchange gain of approximately HK\$0.59 million was recorded (2012: exchange gain of HK\$0.53 million).

Human Resources and Employee's Remuneration

As at 30 September 2013, the Group had a total workforce of 605 (as at 30 September 2012: 543), of which about 77.5% were front line staff. Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. Other benefits include contributions to mandatory provident fund and medical insurance coverage. In addition, the Group has granted share options to certain eligible persons pursuant to a Pre-IPO share option scheme adopted by the Company on 31 March 2011, i.e. before listing of the Company's shares in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 2013.



OUTLOOK

In response to the intense competition, the Group strives to strengthen the position of one-stop travel solution by offering customers extensive range of products to meet their needs. Besides, the Group will develop more choices of theme-type packages in addition to the existing ones such as weddings, wellness and other activities to best suite customers' needs. Apart from expanding the sales networks through opening retails shops in strategic locations, the establishment of e-business sales team can further strengthen the Group's sales channels in delivering comprehensive services to customers.

Furthermore, the Group will continue to spend efforts in increasing the market share by allocating resources in the development of corporate and MICE business, establishing the new brand name "Tailor Made Holidays (度新假期)" in order to seize the opportunities in both retail and wholesale business.

In addition to the ordinary travel business, a wholly owned subsidiary of the Company named Travel Expert Asset Management Limited (專業旅運資產管理有限公司) was established during the Period to conduct the approved investment activities using the Group's surplus funds allocated under the investment cap. The Chief Investment Officer was on board on 2 September 2013, who has over 40 years of extensive investment experiences gained from his previous senior positions in financial institution and regulatory authority prior to joining the Group. It is expected that this newly established business unit can better utilize the Group's surplus fund to enhance the capital yield, thus eventually improving the bottom line of the Group.

Looking ahead, apart from diversification of its business to strengthen its market position in Hong Kong, the Group is taking steps in exploring the business expansion opportunities in China through corporation with selected reputable business partners. The business discussions with the relevant partners are still ongoing. Once any definite agreement has been reached, an announcement will be made to public immediately.



USE OF PROCEEDS

The net proceeds from the placing and initial public offer of the Company amounted to HK\$49.5 million. Up to 30 September 2013, the net proceeds were used for the following purposes:

- approximately HK\$2.4 million was used to increase the Group's headcounts and resources for developing corporate and MICE business;
- approximately HK\$2.9 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 its operational infrastructure; and
- approximately HK\$3.9 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

During the six months ended 30 September 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the six months ended 30 September 2013, the Company has complied with all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").



REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed and discussed with the management and the Company's external auditors the interim results for the six months ended 30 September 2013.

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 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 December 2013 to 30 December 2013, both days inclusive, for the purpose of determining the entitlement to the interim dividend for the six months ended 30 September 2013. In order to qualify for the interim dividend for the six months ended 30 September 2013, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 20 December 2013.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30 September 2013, 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 pursuant to the Model Code as set out in Appendix 10 of the Listing Rules, were as follows:

(a) Long position in ordinary shares of the Company

Name of Director	Number of shares of HK\$0.01 each in the Company			Total interests	Approximate percentage of the issued share capital
	Personal interests	Family interests	Corporate interests		
Mr. Ko Wai Ming, Daniel ("Mr. Ko")	500,000	11,985,000 (Note a)	356,615,000 (Note b)	369,100,000	71.87%
Ms. Cheng Hang Fan ("Mrs. Ko")	11,985,000	500,000 (Note a)	356,615,000 (Note b)	369,100,000	71.87%
Mr. Kam Tze Ming, Alfred ("Mr. Kam")	4,500,000	–	–	4,500,000	0.88%
Mr. Chan Wan Fung ("Mr. Chan")	300,000	–	–	300,000	0.06%

Notes:

- (a) Mr. Ko and Mrs. Ko are spouses. Pursuant to Part XV of the SFO, Mr. Ko is deemed to be interested in the shares of the Company owned by Mrs. Ko and Mrs. Ko is deemed to be interested in the shares of the Company owned by Mr. Ko.
- (b) These shares of the Company are owned by Colvin & Horne Holdings Limited ("CHHL"), which is owned as to 60% and 40% by Mr. Ko and Mrs. Ko respectively.



(b) Long position in Pre-IPO share options of the Company

Name of Director	Capacity	Total number of Pre-IPO share options held (Note)	Approximate percentage of the issued share capital
Mr. Chan	Beneficial owner	1,250,000	0.24%

Note:

The Pre-IPO share options were granted under the Pre-IPO share option scheme adopted by the Company on 31 March 2011 (the "Pre-IPO Share Option Scheme").

(c) Long position in shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Beneficial owner	Family interest (Note)	Total number of shares held	Approximate percentage of issued shares
Mr. Ko	CHHL	3	2	5	100%
Mrs. Ko	CHHL	2	3	5	100%

Note: Mr. Ko and Mrs. Ko are spouses. Pursuant to Part XV of the SFO, Mr. Ko is deemed to be interested in the shares of CHHL owned by Mrs. Ko and Mrs. Ko is deemed to be interested in the shares of CHHL owned by Mr. Ko.

Save as disclosed above, as at 30 September 2013, 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 corporation (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 2013, shareholders (not being a Director or chief executive of the Company) who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or otherwise notified to the Company are set out below:

Name	Beneficial owner	Family interest	Total number of shares held	Approximate percentage of issued shares
CHHL (Note a)	356,615,000	–	356,615,100	69.44%
Mr. Chu Hung Kwan ("Mr. Chu") (Note b)	27,735,000	11,500,000	39,235,000	7.64%
Ms. Tai Kan Yuet ("Mrs. Chu") (Note b)	11,500,000	27,735,000	39,235,000	7.64%

Notes:

- (a) CHHL is owned by Mr. Ko and Mrs. Ko as to 60% and 40% respectively.
- (b) Mr. Chu and Mrs. Chu are spouses. Pursuant to Part XV of the SFO, Mr. Chu is deemed to be interested in the shares of the Company owned by Mrs. Chu and Mrs. Chu is deemed to be interested in the shares of the Company 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 2013, had an interest or a short position in the shares or underlying shares of the Company which are recorded in the register required to be kept under Section 336 of the SFO or notified to the Company pursuant to the SFO.


SHARE OPTION SCHEMES

PRE-IPO SHARE OPTION SCHEME

The Company adopted the Pre-IPO Share Option Scheme for the purpose of recognizing the contributions of selected eligible persons to the growth of the Group and the listing of shares of the Company. Options to subscribe for an aggregate of 23,704,000 shares of the Company (the "Pre-IPO Share Options") were granted on 6 September 2011 and no further options would be granted under the Pre-IPO Share Option Scheme. The options vest within one or two years from the dates of grant and then are exercisable within a period of one year.

Details of the movements of the Pre-IPO Share Options for the six months ended 30 September 2013 are as follows:

Grantee	Exercisable period	Number of options				Balance at 30 September 2013	Exercise price per share (HK\$)
		Balance at 1 April 2013	Exercised during the period	Forfeited during the period	Cancelled during the period		
Executive Directors							
Mr. Ko	30/09/2012 to 29/09/2013	500,000	(500,000)	-	-	-	0.5040
Mrs. Ko	30/09/2012 to 29/09/2013	500,000	(500,000)	-	-	-	0.5040
Mr. Kam	30/09/2012 to 29/09/2013	4,500,000	(4,500,000)	-	-	-	0.5040
Mr. Chan	30/09/2012 to 29/09/2013	1,250,000	(300,000)	-	(950,000)	-	0.630
	30/09/2013 to 29/09/2014	1,250,000	-	-	-	1,250,000	1.260
Employees of the Group							
	30/09/2012 to 29/09/2013	11,372,000	(4,843,000)	(186,000)	(6,343,000)	-	0.5355
	30/09/2012 to 29/09/2013	1,000,000	(1,000,000)	-	-	-	0.5040
Total		<u>20,372,000</u>	<u>(11,643,000)</u>	<u>(186,000)</u>	<u>(7,293,000)</u>	<u>1,250,000</u>	



During the six months ended 30 September 2013, 11,643,000 options were exercised, 7,293,000 options were cancelled due to lapse of exercisable period and 186,000 options were forfeited as certain option holders ceased to be eligible persons under the Pre-IPO Share Option Scheme.

SHARE OPTION SCHEME

The Company adopted a Share Option Scheme (the “Share Option Scheme”) on 6 September 2011. The purpose of the Share Option Scheme is to enable the Board to grant options to selected eligible persons as incentives or rewards for their contribution or potential contribution to the Group and/or to recruit and retain high caliber eligible persons and to attract human resources that are valuable to the Group. No option has been granted since the adoption of the Share Option Scheme.

INVESTMENT ACTIVITIES

For the period ended 30 September 2013, the Group started to engage in certain investment activities including the purchases and sales of financial assets of dual currency investments and options for equity securities. Such equity securities were constituents of Hang Seng Index. All the funds used in such investment activities were the Group’s surplus funds allocated under the investment cap.

During the reporting period, there was no subsequent change to the initial approved investment cap amount that remained as HK\$20 million.

The utilization status of the investment fund for holding financial assets or liabilities as at 30 September 2013 is as follows:

Investments by Categories	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Dual Currency Investments	3,135	–
Options for Equity Securities*	97	–
Total Value	3,232	–

* Fund utilized in form of pledged deposits

The details of financial assets or liabilities stated at fair value as at 30 September 2013 are as follows:

Investments by Categories	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Dual Currency Investments	3,113	–
Options for Equity Securities*	(9)	–
Total Value	3,104	–

* Secured by the pledge deposits of approximately HK\$97,000



INDEPENDENT REVIEW REPORT



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

INTRODUCTION

We have reviewed the condensed consolidated interim financial statements set out on pages 22 to 40 which comprises the consolidated statement of financial position of Travel Expert (Asia) Enterprises Limited and its subsidiaries as of 30 September 2013 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 Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements 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 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated interim financial statements 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

Lo Ngai Hang

Practising Certificate Number P04743

Hong Kong, 28 November 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	Notes	Six months ended 30 September	
		2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Revenue	5	157,319	127,721
Other income	5	3,942	2,781
Selling and distribution costs		(109,611)	(87,932)
Administrative expenses		(26,127)	(23,851)
Profit from operations	6	25,523	18,719
Finance costs	7	(288)	(60)
Profit before income tax		25,235	18,659
Income tax expense	8	(4,559)	(3,455)
Profit for the period attributable to owners of the Company		20,676	15,204
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas subsidiary		8	–
Total comprehensive income for the period attributable to owners of the Company		20,684	15,204
Earnings per share attributable to owners of the Company			
— Basic	9	HK4.1 cents	HK3.0 cents
— Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

		30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	52,095	52,311
Investment property		62,000	62,000
		<u>114,095</u>	<u>114,311</u>
Current assets			
Inventories		1,190	2,390
Trade receivables	12	8,849	8,224
Prepayments, deposits and other receivables		33,711	40,387
Financial assets at fair value through profit or loss		3,113	–
Prepaid tax		–	855
Pledged deposits		97	–
Time deposits over three months	13	151,251	70,000
Cash and cash equivalents	13	26,379	78,279
		<u>224,590</u>	<u>200,135</u>
Current liabilities			
Trade payables	14	128,195	119,603
Accrued charges, deposits received and other payables		40,492	33,426
Financial liabilities at fair value through profit or loss		9	–
Bank borrowings	15	26,010	27,415
Provision for tax		4,112	443
		<u>198,818</u>	<u>180,887</u>
Net current assets		<u>25,772</u>	<u>19,248</u>
Net assets		<u>139,867</u>	<u>133,559</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	5,136	5,019
Reserves		134,731	128,540
Total equity		<u>139,867</u>	<u>133,559</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Merger reserve HK\$'000	Foreign exchange reserve HK\$'000	Proposed dividend HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2012	5,000	48,110	2,466	(9,000)	-	18,000	42,820	107,396
Recognition of share-based payments	-	-	1,805	-	-	-	-	1,805
Transactions with owners	-	-	1,805	-	-	-	-	1,805
Profit for the period	-	-	-	-	-	-	15,204	15,204
Total comprehensive income for the period	-	-	-	-	-	-	15,204	15,204
Final dividend declared	-	-	-	-	-	(18,000)	-	(18,000)
At 30 September 2012 (unaudited)	<u>5,000</u>	<u>48,110</u>	<u>4,271</u>	<u>(9,000)</u>	<u>-</u>	<u>-</u>	<u>58,024</u>	<u>106,405</u>
At 1 April 2013	5,019	49,480	3,834	(9,000)	9	20,077	64,140	133,559
Share issue under share option scheme	117	8,299	(2,357)	-	-	-	-	6,059
Recognition of share-based payments	-	-	30	-	-	-	-	30
Lapse of share-based payment expenses	-	-	(1,441)	-	-	-	1,441	-
Forfeiture of share-based payment expenses	-	-	(36)	-	-	-	36	-
Transactions with owners	117	8,299	(3,804)	-	-	-	1,477	6,089
Profit for the period	-	-	-	-	-	-	20,676	20,676
Other comprehensive income:								
Exchange alignment	-	-	-	-	8	-	-	8
Total comprehensive income for the period	-	-	-	-	8	-	20,676	20,684
Final dividend declared	-	-	-	-	-	(20,077)	(388)	(20,465)
At 30 September 2013 (unaudited)	<u>5,136</u>	<u>57,779</u>	<u>30</u>	<u>(9,000)</u>	<u>17</u>	<u>-</u>	<u>85,905</u>	<u>139,867</u>



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2013

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash generated from operating activities	48,136	18,962
Net cash (used in)/generated from investing activities	(86,301)	69,184
Net cash used in financing activities	<u>(13,735)</u>	<u>(21,340)</u>
Net (decrease)/increase in cash and cash equivalents	(51,900)	66,806
Cash and cash equivalents at beginning of the period	<u>78,279</u>	<u>57,136</u>
Cash and cash equivalents at end of the period	<u><u>26,379</u></u>	<u><u>123,942</u></u>



NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2013

1. GENERAL INFORMATION

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

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

The condensed consolidated interim financial statements for the six months ended 30 September 2013 were approved and authorised for issue by the Board on 28 November 2013.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 September 2013 have been prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2013.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation that have been used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the financial statements for the year ended 31 March 2013, except for the adoption of the new and amended Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations for annual periods beginning on 1 April 2013.

During the interim period, the Group has adopted all the new and amended HKFRSs which are first effective for the reporting period and relevant to the Group. The adoption of these new and amended HKFRSs did not result in material changes to the Group's accounting policies and the Directors considered that the changes are not material to the Group's results of operations or financial position.

4. SEGMENT INFORMATION

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

	Travel and travel related business		Rental income from investment property		Total	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	2013	2012	2013	2012	2013	2012
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue						
From external customers	<u>156,391</u>	<u>127,721</u>	<u>928</u>	<u>-</u>	<u>157,319</u>	<u>127,721</u>
Reportable segment revenue	<u>156,391</u>	<u>127,721</u>	<u>928</u>	<u>-</u>	<u>157,319</u>	<u>127,721</u>
Reportable segment profit	<u>25,636</u>	<u>18,719</u>	<u>563</u>	<u>-</u>	<u>26,199</u>	<u>18,719</u>
Interest income	1,020	942	-	-	1,020	942
Depreciation	(3,114)	(3,095)	(1)	-	(3,115)	(3,095)
Interest expenses	(28)	(60)	(260)	-	(288)	(60)
Income tax expense	<u>4,466</u>	<u>3,455</u>	<u>93</u>	<u>-</u>	<u>4,559</u>	<u>3,455</u>

4. SEGMENT INFORMATION (Cont'd)

	Travel and travel related business		Rental income from investment property		Total	
	At 30 September 2013 (unaudited) HK\$'000	At 31 March 2013 (audited) HK\$'000	At 30 September 2013 (unaudited) HK\$'000	At 31 March 2013 (audited) HK\$'000	At 30 September 2013 (unaudited) HK\$'000	At 31 March 2013 (audited) HK\$'000
Reportable segment assets	<u>247,600</u>	<u>213,303</u>	<u>62,058</u>	<u>62,163</u>	<u>309,658</u>	<u>275,466</u>
Reportable segment liabilities	<u>173,622</u>	<u>155,008</u>	<u>23,901</u>	<u>24,827</u>	<u>197,523</u>	<u>179,835</u>

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

	Six months ended 30 September	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Reportable segment revenue	<u>157,319</u>	<u>127,721</u>
Group revenue	<u>157,319</u>	<u>127,721</u>
Reportable segment profit	26,199	18,719
Finance cost	(288)	(60)
Other corporate expenses	(676)	–
Profit before income tax expense	<u>25,235</u>	<u>18,659</u>

4. SEGMENT INFORMATION (Cont'd)

	At 30 September 2013 (unaudited) HK\$'000	At 31 March 2013 (audited) HK\$'000
Reportable segment assets	309,658	275,466
Other corporate assets	29,027	38,980
Group assets	<u>338,685</u>	<u>314,446</u>
Reportable segment liabilities	197,523	179,835
Other corporate liabilities	1,295	1,052
Group liabilities	<u>198,818</u>	<u>180,887</u>

No geographical information is presented as the Group's revenue is mainly derived from Hong Kong and its assets are mainly located in Hong Kong.

The country of domicile is determined by referring to the country which the Group regards as its home country, has the majority of operations and centre of management.

The geographical location of customers is based on the location at which the services were provided. The geographical location of the non-current assets is based on the physical location of the asset.

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

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 and property investment. An analysis of the Group's revenue from principal activities which is the Group's turnover and other income is as follows:

	Six months ended 30 September	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Turnover/Revenue		
Travel and travel related business (<i>note i</i>)	156,391	127,721
Rental income from investment property	928	–
	<u>157,319</u>	<u>127,721</u>
Other income		
Interest income on deposits in banks and financial institutions	1,020	942
Gain on disposal on financial assets at fair value through profit or loss	71	–
Sundry income	2,851	1,839
	<u>3,942</u>	<u>2,781</u>
Total revenue and other income	<u>161,261</u>	<u>130,502</u>

Note i:

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:

	Six months ended 30 September	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Gross sales proceeds	<u>966,935</u>	<u>803,812</u>

6. PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Profit before income tax is arrived at after charging/(crediting):		
Bad debt written off	182	41
Depreciation*	3,115	3,095
Loss on disposal of property, plant and equipment	-	5
Fair value gain on financial liabilities at fair value through profit or loss	(5)	-
Net foreign exchange gain	(592)	(534)
Operating lease charges in respect of leasehold premises		
— Minimum leases payments	20,916	17,637
— Contingent rents**	60	11
	20,976	17,648
Operating leases in respect of office equipment	822	534
Staff costs (including directors' remuneration)		
— Wages and salaries	82,565	63,763
— Retirement scheme contribution	3,070	2,431
— Share-based payment expenses	30	1,805
	85,665	67,999

* Depreciation expenses have been included in:

- selling and distribution costs of approximately HK\$1,525,000 for the six months ended 30 September 2013 (six months ended 30 September 2012: HK\$1,640,000); and
- administrative expenses of approximately HK\$1,590,000 for the six months ended 30 September 2013 (six months ended 30 September 2012: HK\$1,455,000).

** 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	
	2013	2012
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings — not wholly repayable within five years	288	60

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax — Hong Kong — Tax for the period	4,559	3,455

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 2012 and 2013 respectively.

Hong Kong profits tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits for the period.

A subsidiary of the Company established in the PRC is subjected to PRC enterprise income tax at the rate of 25%. No PRC enterprise income tax has been provided as there is no assessable profit arising in the PRC for the period.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company of approximately HK\$20,676,000 (six months ended 30 September 2012: HK\$15,204,000) and the 505,634,000 (six months ended 30 September 2012: 500,000,000) weighted average number of ordinary shares in issue during the period.

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

10. INTERIM DIVIDEND

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interim dividend declared	<u>7,704</u>	<u>–</u>

The Directors declared an interim dividend of HK1.5 cents (six months ended 30 September 2012: nil) per ordinary share for the six months ended 30 September 2013, amounting to approximately HK\$7,704,000 (six months ended 30 September 2012: nil). As the interim dividend is declared after the reporting date, such dividend is not recognised as liability as at 30 September 2013.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2013, the Group incurred capital expenditures of approximately HK\$1,868,000 (six months ended 30 September 2012: HK\$1,015,000) in leasehold improvement, approximately HK\$535,000 (six months ended 30 September 2012: HK\$438,000) in office equipment, and approximately HK\$493,000 (six months ended 30 September 2012: HK\$281,000) in furniture and fixtures.

12. TRADE RECEIVABLES

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

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
0–30 days	7,583	6,865
31–90 days	1,210	1,280
Over 90 days	56	79
	<u>8,849</u>	<u>8,224</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

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Cash deposits in banks and a financial institution	25,869	50,579
Short-term deposits in banks	151,761	97,700
	177,630	148,279
Less: Time deposits with an original maturity of more than three months	(151,251)	(70,000)
Cash and cash equivalents	26,379	78,279

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:

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
0–30 days	86,568	85,125
31–90 days	31,368	27,149
Over 90 days	10,259	7,329
	128,195	119,603

15. BANK BORROWINGS

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Secured bank borrowings		
Portion due for repayment within one year	3,331	2,924
Portion due for repayment after one year which contain a repayable on demand clause	<u>22,679</u>	<u>24,491</u>
	<u>26,010</u>	<u>27,415</u>

The Group's interest bearing bank borrowing of approximately HK\$2,704,000 (31 March 2013: HK\$2,979,000) bears interest at a floating rate of 1.75% per annum over 1 month HIBOR and is secured by the Group's land and building of approximately HK\$42,805,000 (31 March 2013: HK\$43,433,000) as at 30 September 2013.

The Group's interest-bearing bank borrowing of approximately HK\$23,306,000 (31 March 2013: HK\$24,436,000) bears interest at a floating rate of 2.85% per annum below the prime rate quoted by Bank of China and is secured by the Group's investment property of approximately HK\$62,000,000 (31 March 2013: HK\$62,000,000) as at 30 September 2013.

The current liabilities include bank borrowings of approximately HK\$22,679,000 (31 March 2013: HK\$24,491,000) that are not scheduled to repay within one year. They are classified as current liabilities as the related loan agreement contains a clause that provided 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		
At 31 March 2013 and 30 September 2013	2,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 April 2012	500,000	5,000
Shares issued under share option scheme	1,936	19
At 31 March 2013	501,936	5,019
Shares issued under share option scheme	11,643	117
At 30 September 2013	513,579	5,136

During the six months ended 30 September 2013, the Company allotted and issued 11,643,000 ordinary shares of HK\$0.01 each under the share option scheme (year ended 31 March 2013: 1,936,000 ordinary shares).

17. COMMITMENTS

Operating lease commitments

Group as lessee

The Group leases certain premises and office equipment under operating lease commitments for terms ranging from one to four 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.

At the end of the periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Buildings:		
Within one year	39,510	36,824
In the second to fifth years, inclusive	25,074	23,210
	<u>64,584</u>	<u>60,034</u>
Other assets:		
Within one year	677	684
In the second to fifth years, inclusive	1,950	919
	<u>2,627</u>	<u>1,603</u>



17. COMMITMENTS (Cont'd)
Operating lease commitments (Cont'd)

Group as lessor

The Group's investment property is leased to tenant under operating lease. At the end of the period, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Within one year	2,004	1,930
In the second to fifth years, inclusive	1,336	2,338
	<u>3,340</u>	<u>4,268</u>

Capital commitment

As at 31 March 2013 and 30 September 2013, the Group did not have any significant capital commitments.

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 at agreed terms.

(a) Significant related party transactions during the periods

	Six months ended 30 September	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Rental expenses paid to related companies	<u>2,046</u>	<u>3,247</u>
Rental deposit paid to related companies included in prepayments, deposits and other receivables	<u>1,128</u>	<u>1,427</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.

(b) Compensation of key management personnel

Total remuneration of the Group's directors and other members of key management personnel during the periods were as follows:

	Six months ended 30 September	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Short term employee benefits	<u>2,775</u>	<u>2,460</u>
Retirement scheme contribution	<u>30</u>	<u>28</u>
Share-based payment expenses	<u>30</u>	<u>685</u>
	<u>2,835</u>	<u>3,173</u>