Travel Expert (Asia) Enterprises Limited
專業旅運（亞洲）企業有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1235)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2014

FINANCIAL HIGHLIGHTS

- Gross sales proceeds for the year was HK$1,873.3 million, representing an increase of 16.7% from HK$1,604.8 million for the last year.
- Revenue excluding the rental income from investment property of HK$1.9 million (2013: HK$0.4 million) for the year was HK$313.9 million, representing an increase of 19.0% from HK$263.8 million for the last year.
- Excluding the impact of increase in fair value of investment property in the last year of about HK$8.5 million, the profit for the year increased significantly by 32.0% from HK$32.8 million for the last year to HK$43.3 million for the year.
- Profit for the year was HK$43.3 million, representing an increase of 4.8% from HK$41.3 million for the last year.
- Earnings per share attributable to owners of the Company for the year was HK8.5 cents, representing an increase of 2.4% from HK8.3 cents for the last year.
- Final divided of HK3.0 cents per ordinary share is proposed for the year ended 31 March 2014 (2013: HK4.0 cents). Together with the paid interim dividend of HK1.5 cents (2013: Nil) per ordinary share, the dividends for the year amount to HK4.5 cents (2013: HK4.0 cents) per ordinary share.

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Travel Expert (Asia) Enterprises Limited (the "Company") presents the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2014 together with comparative figures.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
Revenue	*4*	**315,827**	264,263
Other income	*4*	**7,948**	6,903
Increase in fair value of investment property	*10*	**–**	8,549
Selling and distribution costs		**(217,664)**	(186,273)
Administrative expenses		**(52,237)**	(45,885)
Loss on disposal of financial assets at fair value through profit or loss		**(218)**	–
Fair value loss on financial assets/liabilities at fair value through profit or loss		**(187)**	–
Profit from operations	*5*	**53,469**	47,557
Finance cost	*6*	**(557)**	(223)
Profit before income tax		**52,912**	47,334
Income tax expense	*7*	**(9,644)**	(5,995)
Profit for the year attributable to owners of the Company		**43,268**	41,339
Other comprehensive income, that may be reclassified subsequently to profit or loss			
Exchange difference on translation of financial statements of overseas subsidiary		**(1)**	9
Other comprehensive income for the year, net of tax		**(1)**	9
Total comprehensive income for the year attributable to owners of the Company		**43,267**	41,348
Earnings per share attributable to owners of the Company	*9*		
— Basic		**HK8.5 cents**	HK8.3 cents
— Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**52,971**	52,311
Investment property	*10*	**62,000**	62,000
		114,971	114,311
Current assets			
Inventories		**1,969**	2,390
Trade receivables	*11*	**10,779**	8,224
Prepayments, deposits and other receivables	*12*	**34,603**	40,387
Financial assets at fair value through profit or loss		**951**	–
Prepaid tax		**257**	855
Pledged deposits		**1,191**	–
Time deposits over three months		**83,214**	70,000
Cash and cash equivalents		**121,923**	78,279
		254,887	200,135
Current liabilities			
Trade payables	*13*	**149,542**	119,603
Accrued charges, deposits received and other payables	*14*	**37,520**	33,426
Bank borrowings	*15*	**24,588**	27,415
Financial liabilities at fair value through profit or loss		**205**	–
Provision for tax		**3,257**	443
		215,112	180,887
Net current assets		**39,775**	19,248
Net assets		**154,746**	133,559
EQUITY			
Equity attributable to owners of the Company			
Share capital	*16*	**5,136**	5,019
Reserves		**149,610**	128,540
Total equity		**154,746**	133,559

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 March 2014

1. GENERAL INFORMATION

Travel Expert (Asia) Enterprises Limited (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").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are the provision of travel related product and services, treasury activities, and property investment.

2. BASIS OF PREPARATION

The financial statements for the year ended 31 March 2014 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. ADOPTION OF NEW AND AMENDED STANDARDS

(a) Adoption of new/revised HKFRSs — effective 1 April 2013

In the current year, the Group has for the first time applied the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2013.

HKFRSs (Amendments)	Annual improvements to HKFRSs 2009–2011 cycle
Amendments to HKAS 1 (Revised)	Presentation of financial statements — Presentation of items of other comprehensive income
Amendments to HKFRS 7	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 13	Fair value measurements
HKAS 27 (2011)	Separate financial statements

Except as explained below, the adoption of the new HKFRSs has no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Amendments to HKAS 1 (Revised) — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis. The Group has adopted the amendments retrospectively.

HKFRS 13 — Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 is applied prospectively.

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

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments
HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncements. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. The directors are currently assessing the impact of other new and amended HKFRSs upon initial application but are not yet in a position to state whether they would have any material financial impact on the Group's results and financial position.

HKFRS 9 — Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

4. REVENUE AND OTHER INCOME AND SEGMENT INFORMATION

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

	2014	2013
	HK$'000	*HK$'000*
Turnover/Revenue		
Travel and travel related business *(note i)*	**313,897**	263,823
Rental income from investment property	**1,930**	440
	315,827	264,263
Other income		
Interest income on deposits in banks and financial institutions stated at amortised cost	**2,399**	1,593
Dividend income from listed securities	**2**	–
Sundry income	**5,547**	5,310
	7,948	6,903
Total revenue and other income	**323,775**	271,166

(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:

	2014	2013
	HK$'000	*HK$'000*
Gross sales proceeds	**1,873,270**	1,604,767

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		Treasury activities		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue								
From external customers	**313,897**	263,823	**1,930**	440	**–**	–	**315,827**	264,263
Reportable segment revenue	**313,897**	263,823	**1,930**	440	**–**	–	**315,827**	264,263
Reportable segment profit	**52,989**	39,012	**1,784**	8,977	**(113)**	–	**54,660**	47,989
Interest income	**2,382**	1,593	**–**	–	**17**	–	**2,399**	1,593
Dividend income	**–**	–	**–**	–	**2**	–	**2**	–
Depreciation	**(6,496)**	(6,171)	**(3)**	–	**–**	–	**(6,499)**	(6,171)
Interest expenses	**(54)**	(91)	**(503)**	(132)	**–**	–	**(557)**	(223)
Increase in fair value of investment property	**–**	–	**–**	8,549	**–**	–	**–**	8,549
Income tax expense	**(9,644)**	(5,995)	**–**	–	**–**	–	**(9,644)**	(5,995)
Bad debt written off	**(182)**	–	**–**	–	**–**	–	**(182)**	–
Provision for impairment of trade receivables	**(98)**	–	**–**	–	**–**	–	**(98)**	–
Loss on disposal of financial assets at fair value through profit or loss	**–**	–	**–**	–	**(218)**	–	**(218)**	–
Fair value loss on financial assets/ liabilities through profit or loss	**–**	–	**–**	–	**(187)**	–	**(187)**	–
Reportable segment assets	**266,897**	213,303	**62,047**	62,163	**20,000**	–	**348,944**	275,466
Additions to non-current segment assets during the year	**7,146**	5,361	**13**	53,451	**–**	–	**7,159**	58,812
Reportable segment liabilities	**190,593**	155,008	**22,662**	24,827	**317**	–	**213,572**	179,835

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:

	2014	2013
	HK$'000	*HK$'000*
Reportable segment revenue	**315,827**	264,263
Group revenue	**315,827**	264,263
Reportable segment profit	**54,660**	47,989
Finance cost	**(557)**	(223)
Other corporate expenses	**(1,191)**	(432)
Profit before income tax expense	**52,912**	47,334
Reportable segment assets	**348,944**	275,466
Other corporate assets	**20,914**	38,980
Group assets	**369,858**	314,446
Reportable segment liabilities	**213,572**	179,835
Other corporate liabilities	**1,540**	1,052
Group liabilities	**215,112**	180,887

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

	Revenue from external customers		**Non-current assets**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (domicile)	**315,820**	264,263	**114,871**	114,193
The People's Republic of China (the "PRC") excluding Hong Kong	**7**	–	**100**	118
	315,827	264,263	**114,971**	114,311

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 years ended 31 March 2013 and 2014.

5. PROFIT FROM OPERATIONS

	2014	2013
	HK$'000	*HK$'000*
Profit from operations is arrived at after charging/(crediting):		
Depreciation*	**6,499**	6,171
Loss on disposal of property, plant and equipment	**–**	14
Net foreign exchange gain	**(219)**	(720)
Bad debt written off	**182**	–
Provision for impairment of trade receivables	**98**	–
Operating lease charges in respect of leasehold premises:		
— Minimum leases payments	**45,821**	37,203
— Contingent rents**	**115**	13
	45,936	37,216
Operating leases in respect of office equipment	**1,691**	1,072
Staff costs (excluding directors' remuneration):		
— Salaries	**153,672**	130,474
— Retirement scheme contribution	**6,150**	5,179
— Share-based payment expenses	**–**	1,124
	159,822	136,777

* Depreciation expenses have been included in:

— selling and distribution costs of approximately HK$3,142,000 for the year ended 31 March 2014 (2013: HK$3,211,000); and

— administrative expenses of approximately HK$3,357,000 for the year ended 31 March 2014 (2013: HK$2,960,000).

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

6. FINANCE COST

	2014	2013
	HK$'000	*HK$'000*
Interest on bank borrowings		
— not wholly repayable within five years	**557**	223

7. INCOME TAX EXPENSE

	2014	2013
	HK$'000	*HK$'000*
Current tax — Hong Kong		
Tax for the year	**9,449**	6,053
Under/(Over) provision in respect of prior year	**195**	(58)
	9,644	5,995

Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the year.

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 year.

No deferred tax liabilities have been recognised in the financial statements as there are no material temporary differences.

8. DIVIDEND

	2014	2013
	HK$'000	*HK$'000*
Proposed final dividend	**15,407**	20,077

The dividends approved and declared during the year are summarised as follows:

	2014	2013
	HK$'000	*HK$'000*
Final dividend proposed in the previous year	**20,077**	18,000
Interim dividend declared during the year	**7,704**	–
	27,781	18,000

The directors recommend a final dividend of HK3.0 cents (2013: HK4.0 cents) per ordinary share for the year ended 31 March 2014, amounting to approximately HK$15,407,000 (2013: HK$20,077,000), which is subject to approval by the shareholders in the forthcoming annual general meeting. The proposed dividend is not reflected as a dividend payable in these financial statements, but reflected as an appropriation of retained earnings for the year.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately HK$43,268,000 and 509,595,000 weighted average number of ordinary shares in issue during the year.

No diluted earnings per share is presented for the years ended 31 March 2013 and 2014 as the exercise price of the Company's outstanding options was higher than the average market price for the year.

10. INVESTMENT PROPERTY

	Group	
	2014	2013
	HK$'000	*HK$'000*
At beginning of the year	**62,000**	–
Additions	**–**	53,451
Increase in fair value of investment property	**–**	8,549
At end of the year	**62,000**	62,000

The investment property represents property interests held under operating leases to earn rentals or for capital appreciation purposes and the medium term leasehold land in Hong Kong will expire in 2047. The investment property is situated at Yuen Long Town Lot No. 42 and known as Shop D1 on Ground Floor, Fung Hing Building, Nos. 33–35 Yuen Long Hong Lok Road, 36, 40 & 42 Kau Yuk Road, Yuen Long, New Territories, Hong Kong.

The fair value of the Group's investment property as at 31 March 2014 was arrived at on the basis of the valuation carried out as at that date by B.I. Appraisals Limited, an independent qualified professional valuer not connected to the Group. B.I. Appraisals Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experience in the valuation of properties in the relevant location. The revaluation gain is recognised in profit or loss.

11. TRADE RECEIVABLES

The directors of the Group consider that the fair values of trade receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The ageing analysis of trade receivables, based on the invoice dates, as at the end of each of the year, net of impairment provision, is as follows:

	2014	2013
	HK$'000	*HK$'000*
0–30 days	**9,641**	6,865
31–90 days	**1,087**	1,280
Over 90 days	**149**	79
	10,877	8,224
Less: Provision of impairment loss	**(98)**	–
	10,779	8,224

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

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Prepayments	**4,940**	2,182
Deposits	**19,288**	22,450
Other receivables	**10,375**	15,755
	34,603	40,387

The financial assets included in the above balances relate to receivables for which there was no recent history of default. None of these financial assets is either past due or impaired.

13. TRADE PAYABLES

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

	2014	2013
	HK$'000	*HK$'000*
0–30 days	**115,966**	85,125
31–90 days	**27,615**	27,149
Over 90 days	**5,961**	7,329
	149,542	119,603

The trade payables are short term and hence the carrying values of the Group's trade payables are considered to be a reasonable approximation of fair value.

14. ACCRUED CHARGES, DEPOSITS RECEIVED AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Accrued charges	**22,893**	22,143
Deposits received	**6,326**	5,534
Other payables	**8,301**	5,749
	37,520	33,426

15. BANK BORROWINGS

	2014	2013
	HK$'000	*HK$'000*
Secured bank borrowings		
Portion due for repayment within one year	**2,876**	2,924
Portion due for repayment after one year which contain a repayable on demand clause	**21,712**	24,491
	24,588	27,415

The Group's interest-bearing bank borrowing of approximately HK$2,429,000 (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 buildings of approximately HK$42,177,000 (2013: HK$43,433,000) as at 31 March 2014.

The Group's interest-bearing bank borrowing of approximately HK$22,159,000 (2013: HK$24,436,000) bears interest at a fixed rate of 2.15% per annum and is secured by the Group's investment property of approximately HK$62,000,000 (2013: HK$62,000,000) as at 31 March 2014.

The current liabilities include bank borrowings of approximately HK$21,712,000 (2013: HK$24,491,000) that are not scheduled for repayment within one year. They are classified as current liabilities as 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	**Amount**
	'000	***HK$'000***
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 March 2013 and 31 March 2014	**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 and 1 April 2013	501,936	5,019
Shares issued under share option scheme	11,643	117
At 31 March 2014	**513,579**	**5,136**

During the year ended 31 March 2014, the Company allotted and issued approximately 11,643,000 ordinary shares of HK$0.01 each under the share option scheme (2013: 1,936,000 ordinary shares).

DIVIDEND

The Directors recommended the payment of a final dividend of HK3.0 cents per ordinary share for the year ended 31 March 2014 (2013: HK4.0 cents) to shareholders whose names appear on the Company's register of members on 1 September 2014. Together with the paid interim dividend of HK1.5 cents (2013: Nil) per ordinary share, the dividends for the year amount to HK4.5 cents (2013: HK4.0 cents) per ordinary share. Subject to the approval by the shareholders at the forthcoming annual general meeting ("AGM"), the dividend cheques are expected to be despatched to shareholders on or around 12 September 2014.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from 15 August 2014 to 20 August 2014, both days inclusive, for the purpose of determining the entitlement to attend and vote at the AGM scheduled to be held on 20 August 2014. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (the "Branch Share Registrar") not later than 4:30 p.m. on 14 August 2014.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The register of members of the Company will be closed from 28 August 2014 to 1 September 2014, both days inclusive, for the purpose of determining the entitlement to the proposed final dividend for the year ended 31 March 2014. In order to qualify for the proposed final dividend for the year ended 31 March 2014, all transfer forms accompanied by relevant share certificates must be lodged with the Branch Share Registrar not later than 4:30 p.m. on 27 August 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group continued to record a satisfactory business growth for the year ended 31 March 2014. It is the two consecutive years of business growth in terms of revenue and profit attributable to owners of the Company. Total revenue, including rental income from the investment property of HK$1.9 million (2013: HK$0.4 million) increased to HK$315.8 million (2013: HK$264.3 million), representing an increase of 19.5% from the previous year. The increase was primarily contributed by the revenue growth in the Group's retail business. The profit for the year is HK$43.3 million, representing an increase of 4.8% from HK$41.3 million in the previous year. Excluding the impact of increase in fair value of investment property in the previous year of about HK$8.5 million, the profit for the year increased significantly by 32.0% from HK$32.8 million in the previous year to HK$43.3 million. It is a great achievement of the Group. Basic earnings per share attributable to owners of the Company for the year ended 31 March 2014 was HK8.5 cents, representing an increase of 2.4% from HK8.3 cents over the previous year.

BUSINESS REVIEW

The Group's retail business is operated mainly through Travel Expert Limited (the Chinese name is changed to 專業旅運有限公司 effective from 5 June 2014), which is the core focus of the Group. For the year ended 31 March 2014, sales performance from retail customers continued to show a considerable growth, which was attributable to the Group's efforts in maintaining an effective sales network, good marketing programs and high quality frontline staff. Furthermore, due to the devaluation of Japanese currency in the year, the number of customers travelling to Japan has increased significantly that benefited the Group's performance. However, the incident of unstable political environment in Thailand, one of the most popular destinations for Hong Kong people, has caused certain negative impacts to the Group's results in the second half of year. To tackle the impacts of this incident, the Group managed to promote other travel products and certain new destinations in order to bring new income streams, thereby mitigating such negative influences. Besides, the increase in incentive income due to better supplier management contributed to the income growth. During the year, to meet the market demand and needs, the Group has continuously broadened its service scope by developing new travel business initiatives such as setup of e-business sales team and offering tour products via a newly established tour company in order to provide a comprehensive and one-stop service to customers.

The performance of the e-business sales team during the year was encouraging so that we have recruited more staff members for the team. The Group believes that online platform enable us to extend our reach to a new and wider group of consumers. Besides, online sales model is a cost-effective channel and is becoming a business trend for retail sector.

The Group's corporate business is operated mainly through Travel Expert Business Services Limited (專業旅運商務有限公司). The contribution of this segment remained modest and stable as compared to the previous year. During the year, the Group has spent its efforts to further improve this segment's performance by carrying out team restructuring, modifying business strategies and adding labor resources. In addition, with a view to grasp the business opportunities from corporate travel market, we have launched a new online platform under the new brand name of "Bossfly (總要飛)" for providing corporate business in a user-friendly and cost effective way. We will continue to closely monitor the development of this segment so as to take proper measures to tackle challenges that may arise.

As at the year ended 31 March 2014, the Group's new retail business brand, Tailor Made Holidays (度新假期), has opened three shops in Kowloon Bay Telford Plaza, MTR Kowloon Station and Tsuen Wan Luk Yeung Galleria. The business trend is quite stable and satisfactory although the contribution to the Group is minimal for the year. As the brand name is still very new to the market, the Group will allocate more marketing budget to enhance its brand popularity and product image in the coming year.

During the year, the Group has successfully launched a new business line called Premium Holidays (尊賞假期) with the business focus on operating high-end long haul tours, cruise travel tours and MICE (meeting incentive conference and exhibition business). This is an important step for the Group to implement its business diversification plan by entering into the tour business. We recruited experienced senior executives from outside to lead this new business. As it is in the preliminary stage, we anticipated that more resources will be invested in brand building and increasing market awareness.

Overall, the Group's gross sales proceeds amounted to HK$1,873.3 million for the year ended 31 March 2014, representing an increase of 16.7% as compared with HK$1,604.8 million for the previous 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$1,559.4 million for the year ended 31 March 2014 (2013: HK$1,341.0 million), revenue excluding the rental income from investment property of HK$1.9 million (2013: HK$0.4 million) for the year was HK$313.9 million, representing an increase of 19.0% from HK$263.8 million for the previous year.

FINANCIAL REVIEW

Selling and Distribution Costs

For the year ended 31 March 2014, selling and distribution costs amounted to HK$217.7 million, representing an increase of 16.9% from HK$186.3 million for the year ended 31 March 2013. For the year under review, selling and distribution costs accounted for 68.9% of the Group's total revenue, having decreased from 70.5% in the 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 labor costs due to low unemployment rate in Hong Kong have primarily contributed to the increase of selling and distribution costs for the year. However, due to an effective control of the frontline expenses, there was a decrease of the selling and distribution cost percentage to the Group's total revenue as compared with the last year. 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 well as exploring new sale channels. As at 31 March 2014, the Group operated a total of 63 retail shops in Hong Kong.

Administrative Expenses

For the year ended 31 March 2014, administrative expenses amounted to HK$52.2 million, representing an increase of 13.7% from HK$45.9 million for the year ended 31 March 2013. Administrative expenses accounted for 16.5% of the Group's total revenue, which decreased from 17.4% in the last year.

Salaries for back office staff accounted for the majority of the Group's administrative expenses. Despite of a reduction of share-based payment expenses in this year as compared with the previous year, there was an overall increase of the administrative expenses mainly attributable to the increase of new headcounts in back office, annual salary increment; and the investment for establishing a new company to operate the tour business. Since the Group has adopted an effective control of administrative expenses by better allocation of its back office resources, there was a decrease of the administrative expense percentage to the Group's total revenue as compared with the last year.

Finance Cost

Finance cost of the Group for the year ended 31 March 2014 was HK$557,000, which was mainly related to the interest-bearing bank borrowing of mortgage loans for the Group's properties (2013: HK$223,000).

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 31 March 2014 remained healthy with net assets value of HK$154.7 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 year. Including the time deposits over three months, the Group had total cash and cash equivalents of HK$205.1 million as at 31 March 2014 (as at 31 March 2013: HK$148.3 million). As at 31 March 2014, in addition to an investment property with fair value at HK$62.0 million (as at 31 March 2013: HK$62.0 million), the Group held a portfolio of financial assets and liabilities at fair value through profit or loss at around HK$1.0 million and HK$0.2 million respectively (as at 31 March 2013: Nil for both).

As at 31 March 2014, the Group's current ratio (current assets divided by current liabilities) was 1.18 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 15.9% 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 31 March 2014.

Capital Commitment

The Group did not have any significant capital commitment as at 31 March 2014.

Pledge of Assets

As at 31 March 2014, the Group had two outstanding mortgage loans amounting in total to HK$24.6 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 year ended 31 March 2014, a net exchange gain of approximately HK$0.2 million was recorded (2013: exchange gain of HK$0.7 million).

Human Resources and Employee's Remuneration

As at 31 March 2014, the Group had a total workforce of 633 (as at 31 March 2013: 585), of which about 74.1% 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 the listing of the Company's shares in the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in September 2011. The Pre-IPO share option scheme will eventually lapse on 29 September 2014. 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

On 14 March 2013, 6 February 2014, 24 February 2014 and 31 March 2014, the Group has made announcements in relation to the possible acquisition of a company of which its principal business is the operation of travel-related business in the PRC. On 31 March 2014, the Group has entered into a share transfer agreement with SKAL Travel Services Limited ("SKAL"), an independent third party of the Group, to which the Group has conditionally agreed to purchase and SKAL has agreed to sell 55% equity interests in 深圳順風旅行社有限公司 (Shenzhen SKAL Travel Service Limited) (the "Target Company") for a consideration not exceeding RMB2.4 million. Upon completion of the acquisition, one of the existing shareholders of the Target Company namely China International Travel Services Shenzhen Co., Limited (深圳中國國際旅行社有限公司) and the Group will have 45% and 55% equity interest in the Target Company respectively. As of the date of this announcement, the acquisition of the Target Company has not been completed.

OUTLOOK

The coming year will remain a challenging year given that all unfavorable factors such as high shop rental cost and shortage of labor affecting the performance of the year under review will continue to prevail. Furthermore, in view of the recent political incidents occurring in Thailand and Vietnam, the number of Hong Kong tourists travelling to such countries will inevitably decrease significantly that will create certain negative impacts to the Group's performance, especially in the first half of the financial year 2014/15. Nevertheless, our management team has good confidence to tackle this kind of incidents based on the past experience in order to minimize the adverse influences.

Apart from committed to strengthening the existing business segments and improving service quality, the Group is actively working on exploring of new business opportunities. Business and product diversification is one of our main goals in the coming year. The setup of Premium Holidays (尊賞假期) demonstrated our efforts and determination of business diversification by entering into the tour business. As this new business segment is in the initial setting up stage, we anticipate considerable resources will be put into marketing and brand building of this new company for further business development. Besides, Tailor Made Holidays (度新假期) is also at the development stage and more resources will be allocated.

To maintain a sustainable business growth, the Group sees the importance in advancement of IT applications. We believe that with the help of efficient IT systems and enhanced websites, we can capture the immense business opportunities through internet. This is because online platforms have been becoming popular sales channels. Therefore, the Group will invest substantial resources to enhance its IT business applications and advance the IT infrastructure in the coming year. Through this, the Group will better equip itself to capture the future business opportunities.

In addition, the Group will continue to work ceaselessly to enhance service and product quality in the coming year. Thus, we will provide strengthened training programs in different aspects of services and product knowledge to staff as well as launch internal campaign relating to service enhancement.

Facing the ever-changing operating environment and market trend, the Group is undergoing various vibrant initiatives to meet the challenges ahead. These initiatives include exploring opportunities in expansion of business into China, expansion of investment team with increase of investment cap, enhancement of the retail and corporate sales teams, adoption of flexible marketing strategies, reorganization of cruise team and long haul product management team etc. Doubtless to say that all these initiatives will cause pressures on operating cost and may inevitably affect the profit in the coming year. However, with such initiatives, the Group aims to position itself to seize new business opportunities which will in turn enhance the long term profitability of the Group. The Group is confident that all such resources and efforts we put will help to shape the Group's future and bring a promising return to shareholders.

USE OF PROCEEDS

The net proceeds from the placing and initial public offer of the Company amounted to HK$49.5 million. Up to 31 March 2014, the net proceeds were used for the following purposes:

- approximately HK$3.2 million was used to increase the Group's headcounts and resources for developing corporate and MICE business;

- approximately HK$3.9 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 of operational infrastructure; and

- approximately HK$4.9 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 year ended 31 March 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the year ended 31 March 2014, 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 of Hong Kong Limited (the "Listing Rules").

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed and discussed with the management and the Company's external auditors the annual results of the Group for the year ended 31 March 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiry of all Directors, the Directors of the Company confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 March 2014.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement of the Group for the year ended 31 March 2014 is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.travelexpert.com.hk. The annual report will be published on the same websites and dispatched to shareholders in due course.

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

Hong Kong, 25 June 2014

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.