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Travel Expert (Asia) Enterprises Limited
專業旅運(亞洲)企業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1235)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

FINANCIAL HIGHLIGHTS

- Gross sales proceeds excluding our own tour business for the period was HK$985.4 million, representing an increase of 1.9% from HK$966.9 million for the corresponding period last year.
- Revenue for the period was HK$173.1 million, representing an increase of 10.0% from HK$157.3 million for the corresponding period last year.
- Due to significant investment in the newly setup business operation of Premium Holidays (尊賞假期) and various IT projects for the Group's long term business development, profit for the period decreased to HK$16.2 million, representing a decrease of 21.7% from HK$20.7 million for the corresponding period last year.
- Earnings per share attributable to owners of the Company for the period was HK3.3 cents, representing a decrease of 19.5% from HK4.1 cents for the corresponding period last year.
- Interim dividend of HK1.2 cents (2013: HK1.5 cents) for the period has been declared.

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Travel Expert (Asia) Enterprises Limited (the "Company") presents the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2014 together with comparative figures.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2014

		Six months ended 30 September	
		2014	2013
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*5*	**173,149**	157,319
Cost of sales		**(9,257)**	–
Gross profit		**163,892**	157,319
Other income	*5*	**6,116**	3,866
Selling and distribution costs		**(117,058)**	(109,611)
Administrative expenses		**(32,817)**	(26,127)
Fair value gain on financial assets/liabilities at fair value through profit or loss		**607**	76
Profit from operations	*6*	**20,740**	25,523
Finance costs	*7*	**(258)**	(288)
Profit before income tax expense		**20,482**	25,235
Income tax expense	*8*	**(4,323)**	(4,559)
Profit for the period		**16,159**	20,676
Other comprehensive income, that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas subsidiary		**8**	8
Other comprehensive income for the period, net of tax		**8**	8
Total comprehensive income for the period		**16,167**	20,684

	Notes	Six months ended 30 September 2014 (unaudited) HK$'000	2013 (unaudited) HK$'000
Profit for the period attributable to:			
Owners of the Company		**16,787**	20,676
Non-controlling interests		**(628)**	–
		16,159	20,676
Total comprehensive income for the period attributable to:			
Owners of the Company		**16,795**	20,684
Non-controlling interests		**(628)**	–
		16,167	20,684
Earnings per share attributable to owners of the Company	*9*		
— Basic		**HK3.3 cents**	HK4.1 cents
— Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2014

	Notes	30 September 2014 (unaudited) HK$'000	31 March 2014 (audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	**52,707**	52,971
Investment property		**62,000**	62,000
		114,707	114,971
Current assets			
Inventories		**3,022**	1,969
Trade receivables	12	**7,866**	10,779
Prepayments, deposits and other receivables		**41,738**	34,603
Financial assets at fair value through profit or loss		**4,693**	951
Prepaid tax		**–**	257
Pledged deposits		**1,241**	1,191
Time deposits over three months	13	**80,378**	83,214
Cash and cash equivalents	13	**118,913**	121,923
		257,851	254,887
Current liabilities			
Trade payables	14	**148,373**	149,542
Accrued charges, deposits received and other payables		**37,496**	37,520
Financial liabilities at fair value through profit or loss		**39**	205
Bank borrowings	15	**23,158**	24,588
Provision for tax		**7,385**	3,257
		216,451	215,112
Net current assets		**41,400**	39,775
Net assets		**156,107**	154,746
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	**5,136**	5,136
Reserves		**152,453**	149,610
		157,589	154,746
Non-controlling interests		**(1,482)**	–
Total equity		**156,107**	154,746

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2014

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 principal activity of the Company is investment holding. The principal activities of the Group are the provision of travel and travel related products and services, property investment and investment in treasury activities.

The condensed consolidated interim financial statements for the six months ended 30 September 2014 were approved and authorised for issue by the Board on 26 November 2014.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 September 2014 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 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 2014.

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 2014, 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 2014.

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 Six months ended 30 September		Rental income from investment property Six months ended 30 September		Treasury activities Six months ended 30 September		Total Six months ended 30 September	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue								
From external customers	**172,147**	156,391	**1,002**	928	**–**	–	**173,149**	157,319
Reportable segment revenue	**172,147**	156,391	**1,002**	928	**–**	–	**173,149**	157,319
Reportable segment profit	**19,601**	25,636	**398**	563	**977**	–	**20,976**	26,199
Interest income	**1,338**	1,020	**–**	–	**99**	–	**1,437**	1,020
Dividend income	**–**	–	**–**	–	**9**	–	**9**	–
Depreciation	**(4,012)**	(3,114)	**(2)**	(1)	**–**	–	**(4,014)**	(3,115)
Interest expenses	**(23)**	(28)	**(235)**	(260)	**–**	–	**(258)**	(288)
Income tax expense	**(4,096)**	(4,466)	**(66)**	(93)	**(161)**	–	**(4,323)**	(4,559)
Fair value gain on financial assets/liabilities through profit or loss	**–**	71	**–**	–	**607**	5	**607**	76

	Travel and travel related business		Rental income from investment property		Treasury activities		Total	
	At 30 September 2014	At 31 March 2014	**At 30 September 2014**	At 31 March 2014	**At 30 September 2014**	At 31 March 2014	**At 30 September 2014**	At 31 March 2014
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment assets	**267,430**	266,897	**62,017**	62,047	**42,371**	20,000	**371,818**	348,944
Additions to non-current segment assets during the periods	**3,765**	7,146	**–**	13	**–**	–	**3,765**	7,159
Reportable segment liabilities	**193,571**	190,593	**21,573**	22,662	**227**	317	**215,371**	213,572

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	
	2014	2013
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Reportable segment revenue	**173,149**	157,319
Group revenue	**173,149**	157,319
Reportable segment profit	**20,976**	26,199
Finance cost	**(258)**	(288)
Other corporate expenses	**(236)**	(676)
Profit before income tax expense	**20,482**	25,235

	At 30 September	At 31 March
	2014	2014
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Reportable segment assets	**371,818**	348,944
Other corporate assets	**740**	20,914
Group assets	**372,558**	369,858
Reportable segment liabilities	**215,371**	213,572
Other corporate liabilities	**1,080**	1,540
Group liabilities	**216,451**	215,112

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

	Revenue from external customers		**Non-current assets**	
	Six months ended 30 September		**At 30 September**	At 31 March
	2014	2013	**2014**	2014
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Hong Kong (domicile)	**173,149**	157,319	**114,078**	114,871
The People's Republic of China (the "PRC") excluding Hong Kong	**–**	–	**629**	100
	173,149	157,319	**114,707**	114,971

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, provision of package tours, 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:

	Six months ended 30 September	
	2014	2013
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Turnover/Revenue		
Service income from sales of travel related products *(note i)*	**161,357**	156,391
Sales of package tours	**10,790**	–
Rental income from investment property	**1,002**	928
	173,149	157,319
Other income		
Interest income on deposits in banks and financial institutions	**1,437**	1,020
Dividend income from listed securities	**9**	–
Sundry income	**4,670**	2,846
	6,116	3,866
Total revenue and other income	**179,265**	161,185

Note i:

Gross sales proceeds

The Group's service income from the sales of travel related products includes the air tickets, hotel accommodation and other travel related products and are considered as cash collected on behalf of principals as an agent, and thus recorded on net basis. The gross sales proceeds from the sales of these products, which do 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	
	2014	2013
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Gross sales proceeds	**985,392**	966,935

6. PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2014	2013
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Profit before income tax is arrived at after charging/(crediting):		
Bad debt written off	**–**	182
Depreciation *	**4,014**	3,115
Net foreign exchange gain	**(496)**	(592)
Operating lease charges in respect of leasehold premises		
— Minimum leases payments	**23,363**	20,916
— Contingent rents **	**192**	60
	23,555	20,976
Operating leases in respect of office equipment	**923**	822
Staff costs (including directors' remuneration)		
— Wages and salaries	**86,684**	82,565
— Retirement scheme contribution	**3,509**	3,070
— Share-based payment expenses	**151**	30
	90,344	85,665

* Depreciation expenses have been included in:

— selling and distribution costs of approximately HK$1,754,000 for the six months ended 30 September 2014 (six months ended 30 September 2013: HK$1,525,000); and

— administrative expenses of approximately HK$2,260,000 for the six months ended 30 September 2014 (six months ended 30 September 2013: HK$1,590,000).

** 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	
	2014	2013
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest on bank borrowings		
— not wholly repayable within five years	**258**	288

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2014	2013
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current tax — Hong Kong		
— Tax for the period	**4,323**	4,559
	4,323	4,559

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 2013 and 2014 respectively.

Hong Kong profits tax is calculated at 16.5% (2013: 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$16,787,000 (six months ended 30 September 2013: HK$20,676,000) and the 513,579,000 (six months ended 30 September 2013: 505,634,000) 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 2014 (unaudited) HK$'000	2013 (unaudited) HK$'000
Interim dividend declared	**6,163**	7,704
	6,163	7,704

The Directors declared an interim dividend of HK1.2 cents (six months ended 30 September 2013: HK1.5 cents) per ordinary share for the six months ended 30 September 2014, amounting to approximately HK$6,163,000 (six months ended 30 September 2013: HK$7,704,000). As the interim dividend is declared after the reporting date, such dividend is not recognised as liability as at 30 September 2014.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2014, the Group incurred capital expenditures of approximately HK$657,000 (six months ended 30 September 2013: HK$1,868,000) in leasehold improvement, approximately HK$2,843,000 (six months ended 30 September 2013: HK$535,000) in office equipment, and approximately HK$265,000 (six months ended 30 September 2013: HK$493,000) in furniture and fixtures.

12. TRADE RECEIVABLES

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

	30 September 2014 (unaudited) HK$'000	31 March 2014 (audited) HK$'000
0–30 days	**7,503**	9,641
31–90 days	**345**	1,087
Over 90 days	**18**	149
	7,866	10,877
Less: Provision of impairment loss	**–**	(98)
	7,866	10,779

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.

The movement in the provision for impairment of trade receivables is as follows:

	30 September 2014 (unaudited) *HK$'000*	31 March 2014 (audited) *HK$'000*
At beginning of the period	**98**	–
Impairment loss recognised	**–**	98
Bad debt written off	**(98)**	–
At end of the period	**–**	98

13. TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

	30 September 2014 (unaudited) *HK$'000*	31 March 2014 (audited) *HK$'000*
Cash deposits in banks and a financial institution	**55,531**	33,967
Short-term deposits in banks	**143,760**	171,170
	199,291	205,137
Less: Time deposits with an original maturity of more than three months	**(80,378)**	(83,214)
Cash and cash equivalents	**118,913**	121,923

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 2014 (unaudited) *HK$'000*	31 March 2014 (audited) *HK$'000*
0–30 days	**106,945**	115,966
31–90 days	**29,301**	27,615
Over 90 days	**12,127**	5,961
	148,373	149,542

15. BANK BORROWINGS

	30 September 2014 (unaudited) *HK$'000*	31 March 2014 (audited) *HK$'000*
Secured bank borrowings		
Portion due for repayment within one year	**2,902**	2,876
Portion due for repayment after one year which contain a repayable on demand clause	**20,256**	21,712
	23,158	24,588

The Group's interest-bearing bank borrowing of approximately HK$2,154,000 (31 March 2014: HK$2,429,000) 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$41,549,000 (31 March 2014: HK$42,177,000) as at 30 September 2014.

The Group's interest-bearing bank borrowing of approximately HK$21,004,000 (31 March 2014: HK$22,159,000) 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 (31 March 2014: HK$62,000,000) as at 30 September 2014.

The Group's interest-bearing bank borrowings are secured by the corporate guarantee or cross-guarantees provided by the Company and/or certain subsidiaries as at 31 March and 30 September 2014.

The current liabilities include bank borrowings of approximately HK$20,256,000 (31 March 2014: HK$21,712,000) 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 2014 and 30 September 2014	**2,000,000**	**20,000**
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2013	501,936	5,019
Shares issued under share option scheme	11,643	117
At 31 March 2014 and 30 September 2014	**513,579**	**5,136**

During the six months ended 30 September 2014, the Company did not allot and issue any ordinary shares of HK$0.01 each under the share option scheme (31 March 2014: allotted and issued 11,643,000 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 2014 (unaudited) ***HK$'000***	31 March 2014 (audited) *HK$'000*
Buildings:		
Within one year	**36,602**	35,798
In the second to fifth years, inclusive	**23,817**	22,280
	60,419	58,078
Other assets:		
Within one year	**656**	635
In the second to fifth years, inclusive	**1,323**	1,700
	1,979	2,335

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 2014 (unaudited) ***HK$'000***	31 March 2014 (audited) *HK$'000*
Within one year	**1,336**	2,004
In the second to fifth years, inclusive	**–**	334
	1,336	2,338

Capital commitment

As at 31 March 2014 and 30 September 2014, 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 2014 (unaudited) *HK$'000*	2013 (unaudited) *HK$'000*
Rental expenses paid to related companies	**1,090**	2,046
Rental deposit paid to related companies included in prepayments, deposits and other receivables	**518**	1,128

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 2014 (unaudited) *HK$'000*	2013 (unaudited) *HK$'000*
Short term employee benefits	**2,814**	2,775
Retirement scheme contribution	**43**	30
Share-based payment expenses	**–**	30
	2,857	2,835

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK1.2 cents per ordinary share for the six months ended 30 September 2014 (2013: HK1.5 cents) payable to shareholders whose names appear on the register of members of the Company at the close of business on 30 December 2014. Dividend warrants are expected to be despatched to shareholders on or around 9 January 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 December 2014 to 30 December 2014, both days inclusive, for the purpose of determining the entitlement to the interim dividend for the six months ended 30 September 2014. In order to qualify for the interim dividend for the six months ended 30 September 2014, 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, Hong Kong not later than 4:30 p.m. on 22 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group continued to maintain its positive business growth in terms of revenue for the six months ended 30 September 2014 (the "Period"). Total revenue for the Period increased to HK$173.1 million (2013: HK$157.3 million), representing an increase of 10.0% over the corresponding period last year. The increase was contributed by the new setup of package tour business and the consistent revenue growth in the Group's retail FIT (Free and Independent Travellers) business. The profit for the Period decreased by 21.7% from HK$20.7 million to HK$16.2 million. The decrease was mainly caused by the significant investment in the newly setup business operation of Premium Holidays (尊賞假期) and various IT projects for the Group's long term business development. Basic earnings per share attributable to owners of the Company for the Period was HK3.3 cents, representing a decrease of 19.5% from HK4.1 cents over the corresponding period last year. The Board resolved to declare an interim dividend of HK1.2 cents (2013: HK1.5 cents) per share.

BUSINESS REVIEW

The Group's retail FIT business is operated mainly through Travel Expert Limited (專業旅運有限公司), which is the core focus of the Group. For the Period, sales performance from retail customers recorded a continuous growth albeit various reasons negatively impacted the Group's business. As the positive impact of the devaluation of Japanese currency faded out gradually in this year, the business growth in the Japan market remained stable but not as huge as the corresponding period last year. Furthermore, in addition to the competition from traditional travel retailers, recently there has been an increase of the number of online travel agencies and online sales platforms for travel products. In response to the rapid change of the market environment, the Group has on the one hand carried out measures to consolidate the leading position in the retail travel market, such as improving service quality and providing value-added services, restructuring operating processes, adjusting marketing strategies and enhancing staff training, while on the other hand, we are developing new travel products with greater variety such as Flexi Tour (自由團) and new travel destinations in order to bring new travel experience to our loyal customers.

The performance of the e-business sales team during the Period remained satisfactory. The team was established for the business development of online sales platform which enabled the Group to gain access to new customers with different buying habits and lifestyles. As online shopping is an increasing trend, the Group will continue to invest in the development of online sales platforms so as to capture the business opportunity of this sales channel.

The Group's corporate business is operated mainly through Travel Expert Business Services Limited (專業旅運商務有限公司). For the Period, after restructuring and adjusting business strategy, the performance of this business improved and maintained satisfactory growth. To capture the immense online business opportunities, it launched an online sales platform "Bossfly (總要飛)" for providing corporate business travel service in a user-friendly and cost effective way. We believe this move will further strengthen the corporate business and support the sustained growth. The Group will closely monitor the development of this business and continue to invest more resources to boost its sales.

The new retail business brand Tailor Made Holidays Limited (度新假期有限公司) recorded a satisfactory revenue growth especially after the opening of the third branch at Tsuen Wan Luk Yeung Galleria where the high pedestrian flow and convenient shop location helped to boost up the sales. During the Period, the Group has allocated extra resources for the sales and marketing of this brand in order to further promote this business. A new shop is planned to open at Causeway Bay Hang Lung Centre in early 2015 which will be the first shop of Tailor Made Holidays in Hong Kong Island. We believe that more shop outlets will enable customers to access this business line more easily and help to raise awareness of this new brand name.

The Group's new business line of tour operation is conducted by Premium Holidays Limited (尊賞假期有限公司). Its business focus is on operating high-end long haul tours, cruise travel tours and MICE (meeting, incentive, conference and exhibition) businesses. The establishment of Premium Holidays (尊賞假期) is to implement our business diversification plan by entering into the tour business and broaden our service scope to increase the market share. Under the leadership of an experienced team, the initial tours received encouraging responses and recognitions from customers. Despite of the positive progress at the beginning, this business is still at a very preliminary stage that needs significant investment from the Group which contributed to the decrease of the Group's profit for the Period. In the coming days, we will continue to invest resources to develop this new business line and adopt proactive marketing strategy to enhance the market awareness on this new brand name.

In addition to the travel business segment, our investment activities that are conducted by Travel Expert Asset Management Limited (專業旅運資產管理有限公司) using the Group's surplus funds allocated under the approved investment cap recorded a satisfactory result for the Period. This segment helped the Group to better utilize its surplus fund and contributed to its bottom line.

Overall, the Group's gross sales proceeds excluding our own tour business amounted to HK$985.4 million for the Period, representing an increase of 1.9% as compared with HK$966.9 million for the corresponding period last year. Revenue for the Period was HK$173.1 million, representing an increase of 10.0% from HK$157.3 million for the corresponding period last year.

FINANCIAL REVIEW

Selling and Distribution Costs

For the Period, selling and distribution costs amounted to HK$117.1 million, representing an increase of 6.8% from HK$109.6 million for the corresponding period last year. For the Period, selling and distribution costs accounted for 67.6% of the Group's total revenue, having decreased from 69.7% 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. Furthermore, the setup of new business lines has contributed to the increase of selling and distribution cost as well. Nevertheless, 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 30 September 2014, the Group operated a total of 63 retail shops in Hong Kong.

Administrative Expenses

For the Period, administrative expenses amounted to HK$32.8 million, representing a significant increase of 25.7% from HK$26.1 million for the corresponding period last year. Administrative expenses accounted for 18.9% of the Group's total revenue, which increase from 16.6% in the corresponding period last year.

Salaries for back office staff and the office rental accounted for the majority of the Group's administrative expenses. Nowadays, the Group has three separate back office locations. The significant increase of the administrative expenses for the Period is mainly attributable to the investment for new business lines set up and the extra resources for various IT Projects to the advancement of IT applications and infrastructure. In view of the increasing operating cost pressure, the Group will adopt an effective control of administrative expenses by better allocation of its back office resources and streamline of its existing working process.

Finance Cost

Finance cost of the Group for the Period was HK$258,000, which was mainly related to the interest-bearing bank borrowing of mortgage loans for the Group's properties (2013: HK$288,000).

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 2014 remained healthy with net assets value of HK$156.1 million (as at 31 March 2014: HK$154.7 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$199.3 million as at 30 September 2014 (as at 31 March 2014: HK$205.1 million). As at 30 September 2014, in addition to an investment property with fair value at HK$62.0 million (as at 31 March 2014: HK$62.0 million), the Group held a portfolio of financial assets and liabilities at fair value through profit or loss at around HK$4.7 million and HK$39,000 respectively (as at 31 March 2014: HK$1.0 million and HK$205,000 respectively).

As at 30 September 2014, the Group's current ratio (current assets divided by current liabilities) was 1.19 times compared with 1.18 times as at 31 March 2014. The gearing ratio (interest-bearing borrowings divided by total equity of the Company) was 14.8% as compared with 15.9% as at 31 March 2014. 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 2014.

Capital Commitment

The Group did not have any significant capital commitment as at 30 September 2014.

Pledge of Assets

As at 30 September 2014, the Group had two outstanding mortgage loans amounting in total to HK$23.2 million (as at 31 March 2014: HK$24.6 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 result 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, currency futures etc. to manage the foreign exchange risks. For the six months ended 30 September 2014, a net foreign exchange gain of approximately HK$0.5 million was recorded (2013: exchange gain of HK$0.6 million).

Human Resources and Employee's Remuneration

As at 30 September 2014, the Group had a total workforce of 663 (as at 30 September 2013: 605), of which about 71.8% 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 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 in September 2011. The Pre-IPO share option scheme was lapsed on 29 September 2014. However, a Share Option Scheme has been adopted to recognize the contributions of our staff and to provide them with incentives to stay with the Group. 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 2014.

OUTLOOK

In view of the recent political incident in Hong Kong and the slowdown of overall retail market in the past few months, the Group expects the general business environment in the second half of the year to be challenging. Due to the increasing penetration of online travel agencies and online sales platforms operated by the travel product suppliers, such as hotels and airlines, the competition and pricing pressure on the traditional travel retailers are increasing.

To maintain our leading position in this travel industry, the Group will continue to consolidate its retail network, improve operational efficiency, diversify its sales channels, optimize its product variety and adjust its marketing strategy proactively. We strive to drive business growth and increase income source through different sales channels and new business setups. Facing the ever-changing market environment, the establishment of Premium Holidays (尊賞假期) demonstrated that the Group is committed to business diversification and bringing different travel experience to customers. Besides, Tailor Made Holidays (度新假期) also serves as an alternative choice for customers to purchase special and unique travel products. These two new business lines will provide new products and services to meet customers' needs and eventually expand the Group's market share. To enhance the market awareness on these new brand names, the Group will continue to launch a variety of sales-boosting campaigns and promotions. Furthermore, we will continue to allocate more resources to strengthen their future growth.

Keeping abreast with the IT technology developments and the latest trends of market needs are the key strengths that contributed to the Group's success. In order to support our future business growth, we established an in-house IT development team in Shenzhen through the setup of a joint venture company called AppoMax Technology Limited (亞寶邁科技有限公司) during the Period. This new initiative is to demonstrate our commitment to invest in the continuous enhancement and development of IT applications and online sales platforms so as to capture the vast business opportunities on the internet.

Certainly, the heavy investments in the aforesaid initiatives will continue to cause pressure on operating cost and may inevitably affect the Group's profit in the coming years. However, the Group firmly believes that such initiatives will bring positive contribution to the business growth in the long term. Furthermore, with the experienced management team's business acumen and market sensitivity, the Group is confident that we have positioned ourselves to meet the challenges ahead and to drive its business growth in the future.

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 2014, the proceeds were used for the following purposes:

- approximately HK$10.8 million was used to increase the headcounts and resources for developing new business lines including corporate, tour, cruise and MICE businesses;

- approximately HK$5.9 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 six months ended 30 September 2014, 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 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 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 during the six months ended 30 September 2014.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement of the Group for the six months ended 30 September 2014 is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.travelexpert.com.hk. The interim report will be published on the same websites and dispatched to shareholders in due course.

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

Hong Kong, 26 November 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.