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 2015

FINANCIAL HIGHLIGHTS

- Total customer sales proceeds for the period was HK$1,011.1 million, representing an increase of 1.5% from HK$996.2 million for the corresponding period last year.
- Revenue for the period was HK$199.5 million, representing an increase of 15.3% from HK$173.1 million for the corresponding period last year.
- Excluding the non-controlling interest, the profit for the period was HK$22.4 million, representing an increase of 33.3% from HK$16.8 million for the corresponding period last year
- Earnings per share attributable to owners of the Company for the period was HK4.4 cents, representing an increase of 33.3% from HK3.3 cents for the corresponding period last year.
- Interim dividend of HK1.5 cents (2014: HK1.2 cents) per ordinary share 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 2015 together with comparative figures.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2015

		Six months ended 30 September	
		2015	2014
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*5*	**199,508**	173,149
Cost of sales		**(22,250)**	(9,257)
Gross profit		**177,258**	163,892
Other income and gains	*5*	**6,836**	6,116
Selling and distribution costs		**(121,849)**	(117,058)
Administrative expenses		**(36,157)**	(32,817)
Gain on disposal of financial assets/liabilities at fair value through profit or loss		**318**	—
Fair value (loss)/gain on financial assets/liabilities at fair value through profit or loss		**(408)**	607
Profit from operations	*6*	**25,998**	20,740
Finance costs	*7*	**(227)**	(258)
Profit before income tax		**25,771**	20,482
Income tax expense	*8*	**(5,129)**	(4,323)
Profit for the period		**20,642**	16,159
Other comprehensive income, that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas subsidiaries		**(110)**	8
Other comprehensive income for the period, net of tax		**(110)**	8
Total comprehensive income for the period		**20,532**	16,167

	Notes	Six months ended 30 September **2015** **(unaudited)** ***HK$'000***	2014 (unaudited) *HK$'000*
Profit for the period attributable to:			
Owners of the Company		**22,414**	16,787
Non-controlling interests		**(1,772)**	(628)
		20,642	16,159
Total comprehensive income for the period attributable to:			
Owners of the Company		**22,304**	16,795
Non-controlling interests		**(1,772)**	(628)
		20,532	16,167
Earnings per share attributable to owners of the Company	*9*		
— Basic		**HK 4.4 cents**	HK 3.3 cents
— Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2015

	Notes	30 September 2015 (unaudited) HK$'000	31 March 2015 (audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**53,321**	55,026
Investment property		**62,000**	62,000
Goodwill		**445**	—
Deposits		**12,533**	—
		128,299	117,026
Current assets			
Inventories		**3,403**	3,995
Trade receivables	*12*	**10,095**	8,351
Prepayments, deposits and other receivables		**31,648**	78,983
Financial assets at fair value through profit or loss		**22,056**	16,934
Prepaid tax		**128**	237
Pledged deposits		**29**	2,451
Time deposits over three months		**100,025**	145,246
Cash and cash equivalents		**92,923**	71,040
		260,307	327,237
Current liabilities			
Trade payables	*13*	**131,949**	158,861
Accrued charges, deposits received and other payables		**49,300**	50,630
Bank and other borrowings	*14*	**20,256**	55,984
Financial liabilities at fair value through profit or loss		**—**	7
Provision for tax		**6,194**	1,073
		207,699	266,555
Net current assets		**52,608**	60,682
Total assets less current liabilities		**180,907**	177,708
Net assets		**180,907**	177,708

	Notes	**30 September 2015 (unaudited)** ***HK$'000***	31 March 2015 (audited) *HK$'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital	*15*	**5,136**	5,136
Reserves		**179,989**	175,054
		185,125	180,190
Non-controlling interests		**(4,218)**	(2,482)
Total equity		**180,907**	177,708

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2015

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 activities of the Company's subsidiaries are the provision of travel and travel/wedding related products and services, property investment and investment in treasury activities.

The condensed consolidated interim financial statements for the six months ended 30 September 2015 were approved and authorised for issue by Board on 25 November 2015.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 September 2015 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 2015.

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 2015, 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 2015.

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/wedding 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	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	(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	**198,414**	172,147	**1,094**	1,002	**—**	—	**199,508**	173,149
Reportable segment revenue	**198,414**	172,147	**1,094**	1,002	**—**	—	**199,508**	173,149
Reportable segment profit	**25,282**	19,601	**576**	398	**511**	977	**26,369**	20,976
Interest income	**1,033**	1,338	**—**	—	**452**	99	**1,485**	1,437
Finance costs	**(17)**	(23)	**(210)**	(235)	**—**	—	**(227)**	(258)
Dividend income	**—**	—	**—**	—	**68**	9	**68**	9
Depreciation	**(4,594)**	(4,012)	**(2)**	(2)	**—**	—	**(4,596)**	(4,014)
Gain on disposal of financial assets/liabilities at fair value through profit or loss	**—**	—	**—**	—	**318**	—	**318**	—
Fair value (loss)/gain on financial assets/liabilities through profit or loss	**—**	—	**—**	—	**(408)**	607	**(408)**	607

	Travel and travel/wedding related business		Rental income from investment property		Treasury activities		Total	
	At 30 September 2015	At 31 March 2015	**At 30 September 2015**	At 31 March 2015	**At 30 September 2015**	At 31 March 2015	**At 30 September 2015**	At 31 March 2015
	(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	**279,997**	303,484	**62,058**	62,042	**45,658**	77,807	**387,713**	443,333
Additions to non-current segment assets during the periods	**15,930**	11,147	**—**	—	**—**	—	**15,930**	11,147
Reportable segment liabilities	**180,701**	208,903	**19,233**	20,335	**78**	34,310	**200,012**	263,548

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

	Six months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Reportable segment revenue	**199,508**	173,149
Group revenue	**199,508**	173,149
Reportable segment profit	**26,369**	20,976
Other corporate expenses	**(598)**	(494)
Profit before income tax expense	**25,771**	20,482

	At	At
	30 September	31 March
	2015	2015
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Reportable segment assets	**387,713**	443,333
Other corporate assets	**893**	930
Group assets	**388,606**	444,263
Reportable segment liabilities	**200,012**	263,548
Other corporate liabilities	**7,687**	3,007
Group liabilities	**207,699**	266,555

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
	2015	2014	**2015**	2015
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (domicile)	**199,472**	173,149	**127,759**	116,384
The People's Republic of China (the "PRC") excluding Hong Kong	**36**	–	**540**	642
	199,508	173,149	**128,299**	117,026

The geographical location of the non-current assets is based on the physical location of the asset. 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.

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

5. REVENUE, OTHER INCOME AND GAINS

The Group's principal activities are the provision of services relating to the sale of air- tickets, hotel accommodation and other travel/wedding 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, other income and gains is as follows:

	Six months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Turnover/Revenue		
Service income from sale of travel/wedding related products *(note)*	**173,435**	161,357
Sale of package tours *(note)*	**24,979**	10,790
Rental income from investment property	**1,094**	1,002
	199,508	173,149
Other income and gains		
Interest income on deposits in banks and financial institutions stated at amortised cost	**1,042**	1,437
Interest income on debt securities	**443**	—
Dividend income from listed securities	**68**	9
Exchange gains	**210**	496
Sundry income	**5,073**	4,174
	6,836	6,116
Total revenue, other income and gains	**206,344**	179,265

Note:

Total customer sales proceeds

	Six months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Gross sales proceeds related to service income*	**986,113**	985,392
Sale of package tours	**24,979**	10,790
Total customer sales proceeds	**1,011,092**	996,182

* The Group's gross sales proceeds from sale of travel/wedding related products, includes the air tickets, hotel accommodation and other travel/wedding related products, are considered as cash collected on behalf of principals as an agent. The gross sales proceeds from these sales, which do not represent revenue, represent the price at which products have been sold inclusive of service fees. The related service income is recorded by the Group on net basis.

6. PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Profit from operations is arrived at after charging:		
Depreciation *	**4,596**	4,014
Loss on disposal of property, plant and equipment	**61**	—
Operating lease charges in respect of leasehold premises		
— Minimum leases payments	**24,925**	23,363
— Contingent rents **	**91**	192
	25,016	23,555
Operating leases in respect of office equipment	**1,321**	923
Staff costs (including directors' remuneration)		
— Salaries	**91,854**	86,684
— Retirement scheme contribution	**3,882**	3,509
— Share-based payment expenses	**93**	151
	95,829	90,344

* Depreciation expenses have been included in:

— selling and distribution costs of approximately HK$1,819,000 for the six months ended 30 September 2015 (six months ended 30 September 2014: HK$1,754,000); and

— administrative expenses of approximately HK$2,777,000 for the six months ended 30 September 2015 (six months ended 30 September 2014: HK$2,260,000).

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

7. FINANCE COSTS

	Six months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interests on bank and other borrowings		
— not wholly repayable within five years	**227**	258

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current tax — Hong Kong		
— Tax for the period	**5,129**	4,323

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 2014 and 2015 respectively.

Hong Kong profits tax is calculated at 16.5% (six months ended 30 September 2014: 16.5%) on the estimated assessable profits for the period.

Subsidiaries 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$22,414,000 (six months ended 30 September 2014: HK$16,787,000) and the 513,579,000 (six months ended 30 September 2014: 513,579,000) 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	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interim dividend declared	**7,704**	6,163

The Directors declared an interim dividend of HK1.5 cents (six months ended 30 September 2014: HK1.2 cents) per ordinary share for the six months ended 30 September 2015, amounting to approximately HK$7,704,000 (six months ended 30 September 2014: HK$6,163,000). As the interim dividend is declared after the reporting date, such dividend is not recognised as liability as at 30 September 2015.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, the Group incurred capital expenditures of approximately HK$450,000 (six months ended 30 September 2014: HK$657,000) in leasehold improvement, approximately HK$2,272,000 (six months ended 30 September 2014: HK$2,843,000) in office equipment, and approximately HK$140,000 (six months ended 30 September 2014: HK$265,000) in furniture and fixtures.

During the six months ended 30 September 2015, property, plant and equipment amounted to approximately HK$90,000 were acquired through business combination.

During the six months ended 30 September 2015, aggregate deposits of approximately HK$2,850,000 and corresponding stamp duty payment of approximately HK$2,423,000 were made in respect of the acquisition of land and buildings (the "Property") situated in Hong Kong with lease terms expiring in 2039. Pursuant to the provisional agreement, the remaining balance of HK$25,650,000 is payable by the Group on or before 16 October 2015. On 16 October 2015, the title of the Property has been transferred to the Group.

12. TRADE RECEIVABLES

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

	30 September 2015 (unaudited)	31 March 2015 (audited)
	HK$'000	*HK$'000*
0–30 days	**8,677**	7,879
31–90 days	**1,324**	459
Over 90 days	**94**	13
	10,095	8,351

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 2015 (unaudited)	31 March 2015 (audited)
	HK$'000	*HK$'000*
At beginning of the period	**—**	98
Impairment loss recognised	**—**	(98)
At end of the period	**—**	—

13. 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 2015 (unaudited)	31 March 2015 (audited)
	HK$'000	*HK$'000*
0–30 days	**92,117**	106,937
31–90 days	**25,888**	37,809
Over 90 days	**13,944**	14,115
	131,949	158,861

14. BANK AND OTHER BORROWINGS

	Notes	30 September 2015 (unaudited) HK$'000	31 March 2015 (audited) HK$'000
Secured bank borrowings			
Portion due for repayment within one year	*(a)*	**2,952**	2,926
Portion due for repayment after one year which contain a repayable on demand clause	*(a)*	**17,304**	18,786
		20,256	21,712
Unsecured other borrowings:			
Portion due for repayment within one year	*(b)*	**—**	34,272
		20,256	55,984

Notes:

(a) The Group's interest-bearing bank borrowing of approximately HK$1,605,000 (31 March 2015: HK$1,880,000) 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$40,293,000 (31 March 2015: HK$40,921,000) as at 30 September 2015.

The Group's interest-bearing bank borrowing of approximately HK$18,651,000 (31 March 2015: HK$19,832,000) bears interest at a floating rate of 2.85% per annum below HKD prime and is secured by the Group's investment property of approximately HK$62,000,000 (31 March 2015: HK$62,000,000) as at 30 September 2015.

The current liabilities include bank borrowings of approximately HK$17,304,000 (31 March 2015: HK$18,786,000) 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.

The Group's interest-bearing bank borrowings are secured by the corporate guarantees or cross-guarantees provided by the Company and/or certain subsidiaries as at 31 March and 30 September 2015.

(b) At 31 March 2015, the Group's interest-bearing other borrowings of approximately HK$34,272,000 represent the payables due to a broker (the "Broker's Loan") for share purchase application. The Broker's Loan was unsecured and bore interest at a fixed rate of 1.38% per annum. The Broker's Loan has been fully repaid during the period.

(c) On 7 October 2015, the Group has obtained banking facilities (the "New Banking Facilities") of HK$11,000,000 from a bank in Hong Kong to finance the acquisition of the Property (note 11). The New Banking Facilities were guaranteed in term of corporate guarantee offered by the Company and were pledged by the Property. Up to the date of this announcement, HK$5,000,000 of the New Banking Facilities has been utilised.

15. SHARE CAPITAL

	Number of shares *'000*	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 March 2015 and 30 September 2015	**2,000,000**	**20,000**
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 31 March 2015 and 30 September 2015	**513,579**	**5,136**

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK1.5 cents per ordinary share for the six months ended 30 September 2015 (2014: HK1.2 cents) payable to shareholders whose names appear on the register of members of the Company at the close of business on 29 December 2015. Dividend warrants are expected to be despatched to shareholders on or around 8 January 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 December 2015 to 29 December 2015, both days inclusive, for the purpose of determining the entitlement to the interim dividend for the six months ended 30 September 2015. In order to qualify for the interim dividend for the six months ended 30 September 2015, 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 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group continued to record a business growth for the six months ended 30 September 2015 (the "Period"). Total revenue for the Period increased to HK$199.5 million (2014: HK$173.1 million), representing an increase of 15.3% over the corresponding period last year. The increase was contributed by the consistent revenue growth in the Group's retail FIT (Free and Independent Travellers) business and tour business. Excluding the non-controlling interests, the profit for the Period attributable to owners of the Company had an increase of 33.3% to HK$22.4 million (2014: HK$16.8 million). The total Group's profit for the Period was HK$20.6 million, representing an increase of 27.2% from HK$16.2 million. Basic earnings per share attributable to owners of the Company for the Period was HK4.4 cents, representing an increase of 33.3% from HK3.3 cents over the corresponding period last year. The Board resolved to declare an interim dividend of HK1.5 cents (2014: HK1.2 cents) per share.

BUSINESS REVIEW

The Group's 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. During the Period, the sales performance from retail customers recorded a satisfactory growth especially the sales of cruise trips that contributed to the increase of revenue. The growth demonstrated the Group's continuous efforts in recent years to focus on expansion of travel product offerings. Besides, the favorable movement of Hong Kong dollar exchange rate against other currencies served as an added incentive to stimulate the customers' travel demands. In addition, the Group's proactive marketing strategy enabled us to respond to customers' requirements and market change efficiently. Furthermore, a quality management team and staff force is the utmost importance to the Group to remain competitive in a rigorous business environment. Therefore, we allocated more resources on the staff training area. For example, we extended the training time and improved the training content for the new joint frontline staff. Also, we launched a series of training program to the senior and middle management staff covering various topics such as the Group's management philosophy, market development and other management skills.

The Group's another retail FIT business brand, Tailor Made Holidays Limited (度新假期有限公司) also recorded a satisfactory business growth during the Period. In view of the encouraging business performance, the management decided to open a new shop at Tseung Kwan O PopCorn in October 2015. Together with the existing shops at Kowloon Bay Telford Plaza, Tsuen Wan Luk Yeung Galleria and Causeway Bay Hang Lung Centre, it has now opened four shops. We will continue to allocate resources for its business expansion. To further enhance its brand awareness, we will put special effort to launch marketing activities. Besides, its clear brand image of providing overseas wedding packages and specially designed travel products for couples and lovers under the product name of Lovers' Travel (愛侶•遊) can help it to distinguish itself from other competitors.

The Group's corporate business is operated mainly through Travel Expert Business Services Limited (專業旅運商務有限公司). During the Period, performance of this business was still behind our expectation. Therefore, we put further effort in restructuring the team to streamline the operation and improve service quality to the customer as well as solicit new customers. We will continue to monitor its business development and adopt appropriate measures to boost its sales.

The Group's tour operation is conducted by Premium Holidays Limited (尊賞假期有限公司) It focuses on operating high-end long haul tours, cruise travel tours and MICE (meeting, incentive, conference and exhibition) businesses. During the Period, it offered different theme-type tours that received encouraging responses from customers. Besides, the special travel product named "Premium Vacation (自由團)" offers more flexible choices for customers on itinerary and destination. Furthermore, the business actively launched marketing activities such as holding travel talks and open days, participating in travel expo, advertising on printed matters and TV commercials etc. with an aim to promote the brand name. So far the business development is on track. However, as this business is still relatively new to the market and under the development stage, it requires continuous investments and resources from the Group.

Following the completion of the acquisition transaction of 55% equity interest in Shenzhen SKAL Travel Service (深圳順風旅行社有限公司), now renamed as TE Nice Tour (Shenzhen) Limited (尊業新景界旅行社(深圳)有限公司), we assigned dedicated staff members to establish a China business team in handling its operations. The business is still under preparation stage so its contribution to the group's business result is very minimal during the Period.

The new business line of Take My Hand Limited (緣動有限公司) has actively launched various marketing activities to promote its business and brand name through participating in wedding expos, printed advertisements and media interviews etc. The establishment of this business enables the Group's business expansion into wedding planning services and event management. Also, it can help the Group to develop and promote overseas wedding travel products as well as providing support to our corporate travel and tour business. During the Period, the business contribution to the Group is not significant.

In addition to the travel and wedding 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 drop in the profit for the Period compared with the corresponding period last year. It was mainly due to the highly volatile stock market in the first half of the year. We will closely monitor the market situation and make investment decisions cautiously. This segment will continue to help the Group to better utilize its surplus fund and thus contribute to its bottom line.

Overall, the Group's total customer sales proceeds amounted to HK$1,011.1 million for the Period, representing an increase of 1.5% as compared with HK$996.2 million for the corresponding period last year. Revenue excluding the rental income from investment property of HK$1.1 million (2014: HK$1.0 million) for the Period was HK$198.4 million, representing an increase of 15.3% from HK$172.1 million for the corresponding period last year.

FINANCIAL REVIEW

Selling and Distribution Costs

For the Period, selling and distribution costs amounted to HK$121.8 million, representing an increase of 4.0% from HK$117.1 million for the corresponding period last year. The selling and distribution costs accounted for 61.1% of the Group's total revenue, having decreased from 67.6% 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 labor costs due to low unemployment rate in Hong Kong 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. Nevertheless, in order to deliver convenient and quality services to the customers, the Group will continue to maintain a widespread and effective sales network as well as exploring new sales channels. As at 30 September 2015, the Group operated a total of 61 retail shops in Hong Kong under the brand names of Travel Expert, Tailor Made Holidays and Premium Holidays.

Administrative Expenses

For the Period, administrative expenses amounted to HK$36.2 million, representing an increase of 10.4% from HK$32.8 million for the corresponding period last year. Administrative expenses accounted for 18.1% of the Group's total revenue, which decreased from 18.9% 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. Currently, the Group has three separate back office locations. The 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 improvement initiatives including IT Projects for the advancement of IT applications and infrastructure. In view of the increasing operating cost pressure, the Group has adopted 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$227,000, which was mainly related to the interest-bearing bank borrowing of mortgage loans for the Group's properties (2014: HK$258,000).

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 2015 remained healthy with net assets value of HK$180.9 million (as at 31 March 2015: HK$177.7 million). The Group continued to record a solid 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$192.9 million as at 30 September 2015 (as at 31 March 2015: HK$216.3 million). As at 30 September 2015, in addition to an investment property with fair value at HK$62.0 million (as at 31 March 2015: HK$62.0 million), the Group held a portfolio of financial assets and liabilities at fair value through profit or loss at around HK$22.1 million and nil respectively (as at 31 March 2015: HK$16.9 million and HK$7,000 respectively).

As at 30 September 2015, the Group's current ratio (current assets divided by current liabilities) was 1.25 times compared with 1.23 times as at 31 March 2015. The gearing ratio (interest-bearing borrowings divided by total equity) was 11.2% as compared with 31.5% as at 31 March 2015. The high gearing ratio as at 31 March 2015 was due to a short term loan from a stock broker for IPO share purchase application and which was fully repaid in April 2015. Excluding this short-term loan, the gearing ratio was 12.2% as at 31 March 2015. 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 2015.

Capital Commitment

Save for the capital commitment in respect of the balance payment of HK$25.7 million relating to the purchase of a property located in Tsimshatsui, the Group did not have any other significant capital commitment as at 30 September 2015 (as at 31 March 2015: Nil).

Pledge of Assets

As at 30 September 2015, the Group had two outstanding mortgage loans amounting in total to HK$20.3 million (as at 31 March 2015: HK$21.7 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 Travel Expert Asset Management Limited (專業旅運資產管理有限公司) 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 2015, a net foreign exchange gain of approximately HK$0.2 million was recorded (2014: exchange gain of HK$0.5 million).

Human Resources and Employee's Remuneration

As at 30 September 2015, the Group had a total workforce of 668 (as at 30 September 2014: 663), of which about 68.1% 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 adopted a Share Option Scheme 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

On 6 July 2015, an indirect wholly owned subsidiary of the Company, Profit Genius Limited, entered into a Provisional Agreement for Sale and Purchase with an independent third party relating to the acquisition of Flats A and C, 1st Floor, Han Chung Mansion, Nos. 8 and 10 Hankow Road, Tsimshatsui, Kowloon, Hong Kong (the "Property") at the consideration of HK$28.5 million. The transaction was completed on 16 October 2015. The Property is now under renovation and intended to be used by Premium Holidays.

OUTLOOK

In view of the downturn of retail industry and the slowdown of overall Hong Kong economic environment in the recent months, we expect the business will face a challenging situation in the second half of the year. Furthermore, the increasing penetration of online travel agencies and online sales platforms operated by the travel product suppliers, such as budget airlines, will increase the pricing pressures on the traditional travel retailers.

To address market challenges and prepare for the future business expansion, the Group has started a large scale internal reengineering project to realign its sales operations and back office structure with an aim to build a stronger foundation for future growth. The management team will commit resources and effort to implement the changes and new initiatives as set out in the project.

Apart from strengthening the existing business lines and market position, the development of new business lines will remain our main focus. According to our business plan, Premium Holidays (尊賞假期) will move its back office to the newly acquired property located at Tsimshatsui Han Chung Mansion in early 2016. After moving to this new strategic location, the business will also open a new retail shop at the same place. Furthermore, we are planning to open new retail shops for Premium Holidays (尊賞假期) and Travel Expert Cruise (專業旅運郵輪) so that the market awareness on such brands will be greatly enhanced.

In the coming months, Take My Hand (緣動) will actively liaise with various overseas suppliers for expansion of overseas wedding products and arrangements. Aggressive actions will be taken to drive its growth and enhance market awareness. We believe that the growth of this business will also stimulate the demand for the Group's travel products and services.

With the setup of new business lines in the past few years, currently the Group is in a position to better attend customers' different needs by offering them with a wide range of products at one easily accessible location. Therefore, recently we launched a new marketing campaign to promote the "One Take" concept through TV commercials, the Group's website, social online platforms, printed advertisements, and etc. Also, we will arrange the retail shops for different brands in a way to accomplish the goal of providing customers with one-stop travel solution according to the "One Take" concept.

Looking forward, IT technology advancement is one of our key factors to drive sustainable growth in revenue and profit amidst strong competition and market changes. Thus, we will continue to commit resources in various IT projects and enhancement of IT applications in the coming years. The development of online sales platform and revamp of the Group's websites will be an important part of our business plan. We will strive for sustainable business growth by going towards a new direction of O2O (Online to Offline) business model.

As mentioned in previous reports, the heavy investments in the establishment of new business lines and other improvement initiatives will bring pressure on operating cost as well as the Group's profit in the coming years. Nevertheless, the Group believes such investments are important to its future success. We remain fully committed to its strategy and objectives, supported by its proven execution capabilities, to lead the Group to future expansion and to drive profitable growth that, in turn, creates better value for shareholders.

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

During the six months ended 30 September 2015, 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 2015, 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 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 2015.

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 2015.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement of the Group for the six months ended 30 September 2015 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, 25 November 2015

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.