

專業旅運(亞洲)企業有限公司

Travel Expert (Asia) Enterprises Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1235



專業旅運

Travel *Expert* Ltd.

Interim Report
2014/2015



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Ko Wai Ming, Daniel (*Chairman*)

Ms. Cheng Hang Fan (*Chief Executive Officer*)

Mr. Kam Tze Ming, Alfred
(*Chief Operating Officer*)

Mr. Chan Wan Fung
(*Chief Financial Officer*)

Independent Non-executive Directors

Mr. Mak King Sau

Mr. Szeto Chi Man

Mr. Yung Ha Kuk, Victor

AUDIT COMMITTEE

Mr. Yung Ha Kuk, Victor (*Chairman*)

Mr. Mak King Sau

Mr. Szeto Chi Man

NOMINATION COMMITTEE

Mr. Szeto Chi Man (*Chairman*)

Mr. Ko Wai Ming, Daniel

Mr. Mak King Sau

Mr. Yung Ha Kuk, Victor

REMUNERATION COMMITTEE

Mr. Mak King Sau (*Chairman*)

Ms. Cheng Hang Fan

Mr. Szeto Chi Man

Mr. Yung Ha Kuk, Victor

COMPANY SECRETARY

Ms. Cheng Yin Wah

AUDITOR

BDO Limited

PRINCIPAL BANKER

Hang Seng Bank Limited

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P. O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

9th Floor

Kowloon Plaza

No. 485 Castle Peak Road

Lai Chi Kok

Kowloon

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Royal Bank of Canada Trust Company
(Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman KY1-1110

Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

COMPANY WEBSITE

www.travelexpert.com.hk

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1235



FINANCIAL HIGHLIGHTS

	Notes	Six months ended 30 September		Change
		2014 HK\$'000	2013 HK\$'000	
Profitability				
Gross sales proceeds (Excluding our own tour business)		985,392	966,935	+1.9%
Revenue				
— Service income from sales of travel related products		161,357	156,391	+3.2%
— Sales of package tours		10,790	—	+100%
— Rental income from investment property		1,002	928	+8.0%
		173,149	157,319	+10.1%
Profit attributable to owners of the Company		16,787	20,676	-18.8%
Earnings per share — Basic (HK cents)	1	3.3	4.1	-19.5%

Financial ratio

Return on equity (%)	2	10.8%	14.8%
Current ratio (time)	3	1.19	1.13
Gearing ratio (%)	4	14.8%	18.6%

Notes:

1. The calculation of the basic earnings per share is based on 513,579,000 (2013: 505,634,000) weighted average number of ordinary shares in issue during the period.
2. Return on equity is calculated based on the profit for the period attributable to owners of the Company divided by the total equity at the end of the period and multiplied by 100%.
3. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the period.
4. Gearing ratio is calculated based on the bank borrowings divided by the total equity at the end of the period and multiplied by 100%.



CHAIRMAN'S STATEMENT

Dear Honorable Shareholders,

For the six months ended 30 September 2014, we managed to attain a continuous positive business growth in terms of revenue. As indicated in the Chairman's Statement in the annual report for the year ended 31 March 2014, we have put significant investment in the new setup of business line, Premium Holidays (尊賞假期) that inevitably affected the Group's profit. In addition, the Group committed substantial resources on various IT projects through the setup of a joint venture company, AppoMax Technology Limited (亞寶邁科技有限公司). These two factors primarily contributed to the drop of the Group's profit for the period under review.

In general, the market competition further intensified with the evolving competitors beyond traditional travel agencies, such as budget airlines, online travel agencies, online sales channels and websites of hotels and airlines. It is noted that their most common business strategy is to offer price cut and sales-boosting discount promotions. However, we believe that this kind of price cut business model is not sustainable in the long run.

Recognizing the change in customers' buying behavior brought by technological advancement, we are committing to invest more resources in IT applications and development of online sales platforms. In addition to the online business platform under the brand name of "Bossfly (總要飛)" which focusing on corporate customers travel services, the Group is working to launch another new sales online platform under a brand name of "Pack2fly" in early 2015 that will target on the retail customers. This initiative will support our strategy to further strengthen our e-business competitiveness.

With the management's market sensitivity, we believe that there is an increasing trend in the market demand for high-end long haul tour products. Our new business line Premium Holidays (尊賞假期) is targeting this customer group. The market response on this new business line was satisfactory and its initial tours were well received by customers with high recognition. Furthermore, we can make use of this new business line's expertise to offer more long haul products for our existing FIT (Free and Independent Travellers) customers. Recently, we launched a new product called Premium Vacation (自由團) that covers destinations outside Asian countries. Such tours can combine the flexibility of FIT and the benefits of traditional tours, which allowing customers to choose destinations, routing and activities with pre-arranged transportation, accommodation and tour guide. In summary, 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.



Our investment unit, Travel Expert Asset Management Limited (專業旅運資產管理有限公司) achieved a satisfactory result in the period. In view of the fluctuating market condition in the past few months, they adopted a relatively conservative investment approach. They will continue to monitor the market closely and are looking for a good timing to increase their investment portfolio.

Looking ahead, the Group will keep abreast with the latest market trends and technology developments in order to seize any new business opportunities. In addition to the investment on the new business lines, we will put efforts to enhance our service quality and operation improvement with a view to providing value added services to customers. We will invest in the development of sales and management intelligence systems in order to improve the productivity and efficiency of our frontline staff. To drive the business growth, we will implement measures to diversify sales channels, optimize product mix, increase price competitiveness and streamline operation processes. Last but not least, the Group will continue to work on business diversification and expansion into the Mainland China.

We foresee that all the initiatives to be taken by the Group will cause pressures on operating costs and profits in the coming year. However, we firmly believe such initiatives will help us to improve our competitive advantages in the long run and drive the growth of our business under the ever changing market environment and fierce competition.

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

Ko Wai Ming, Daniel

Chairman and Executive Director

Hong Kong, 26 November 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 Premium Vacation (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.



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.



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.



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.

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.



OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 30 September 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long positions in ordinary shares of the Company

Name of Director	Number of shares of HK\$0.01 each in the Company			Total interests	Approximate percentage of the issued share capital
	Personal interests	Family interests	Corporate interests		
Mr. Ko Wai Ming, Daniel ("Mr. Ko")	–	10,335,000 (Note a)	356,715,000 (Note b)	367,050,000	71.50%
Ms. Cheng Hang Fan ("Mrs. Ko")	10,335,000	–	356,715,000 (Note b)	367,050,000	71.50%
Mr. Kam Tze Ming, Alfred	4,050,000	–	–	4,050,000	0.79%
Mr. Chan Wan Fung ("Mr. Chan")	800,000	–	–	800,000	0.16%

Notes:

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



(b) Long Position in shares and underlying shares of associated corporation

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

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

Save as disclosed above, as at 30 September 2014, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of SFO) which are required, pursuant to Section 352 of the SFO, to be entered in the registers referred to therein or are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.



SHARE OPTION SCHEMES

PRE-IPO SHARE OPTION SCHEME

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

Details of the movement of the Pre-IPO Share Options for the six months ended 30 September 2014 are as follows:

Grantee	Exercisable period	Balance at 1 April 2014	Number of options			Balance at 30 September 2014	Exercise price per share (HK\$)
			Exercised during the period	Forfeited during the period	Lapsed during the period		
Executive Director							
Mr. Chan	30 September 2013 to 29 September 2014	1,250,000	-	-	(1,250,000)	-	1.260
		<u>1,250,000</u>	<u>-</u>	<u>-</u>	<u>(1,250,000)</u>	<u>-</u>	

During the six month ended 30 September 2014, 1,250,000 options were lapsed upon expiration of the exercisable period under the Pre-IPO Share Option Scheme. All Pre-IPO Share Options granted under this Scheme were exercised, forfeited or lapsed.



SHARE OPTION SCHEME

The Company adopted a Share Option Scheme (the "Share Option Scheme") on 6 September 2011. The purpose of the Share Option Scheme is to enable the Board to grant options to selected eligible persons as incentives or rewards for their contribution or potential contribution to the Group and/or to recruit and retain high caliber eligible persons and to attract human resources that are valuable to the Group.

For the six months ended 30 September 2014, 2,000,000 options were granted to an employee on 2 July 2014 ("Date of Grant"). The options shall be valid for two years commencing after six months from the Date of Grant and as to 50% of the options granted shall vest on 1 January 2015 and as to 50% of the options granted shall vest on 1 January 2016. Details of the movement of the share options during the period are as follows:

Grantee	Exercisable period	Balance at 1 April 2014	Granted during the period	Number of options			Balance at 30 September 2014	Exercise price per share (HK\$)
				Exercised during the period	Forfeited during the period	Lapsed during the period		
An employee of the Group	1 January 2015 to 31 December 2016	-	1,000,000	-	-	-	1,000,000	1.002
	1 January 2016 to 31 December 2016	-	1,000,000	-	-	-	1,000,000	1.002
		-	2,000,000	-	-	-	2,000,000	



SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30 September 2014, shareholders (not being Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or otherwise notified to the Company are set out below:

Name of Shareholders	Nature of interests		Total number of shares held	Approximate percentage of the issued share capital
	Beneficial owner	Family interest		
CHHL (Note a)	356,715,000	–	356,715,000	69.46%
Mr. Chu Hung Kwan ("Mr. Chu") (Note b)	17,400,000	11,500,000	28,900,000	5.63%
Ms. Tai Kan Yuet ("Mrs. Chu") (Note b)	11,500,000	17,400,000	28,900,000	5.63%

Notes:

- (a) CHHL is owned as to 60% and 40% by Mr. Ko and Mrs. Ko respectively.
- (b) Mr. Chu and Mrs. Chu are spouses. Pursuant to Part XV of the SFO, Mr. Chu is deemed to be interested in the shares of the Company owned by Mrs. Chu and Mrs. Chu is deemed to be interested in the shares of the Company owned by Mr. Chu.

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 30 September 2014, had an interest or a short position in the Shares or underlying Shares of the Company which are recorded in the registers required to be kept under Section 336 of the SFO or notified to the company pursuant to the SFO.



INVESTMENT ACTIVITIES

For the six months ended 30 September 2014, the Group engaged in certain investment activities. All the funds used in such investment activities were the Group's surplus funds allocated under the investment cap.

As approved by the Board, the investment cap amount increased from HK\$20 million to HK\$40 million effective on 1 April 2014.

The details of the investment fund utilized for holding financial assets or liabilities stated at fair value as at 30 September 2014 were as follows:

Investment by Categories	30 September 2014 (unaudited) HK\$'000	31 March 2014 (audited) HK\$'000
Equity securities listed in Hong Kong	4,502	868
Option contracts*	107	–
Forward exchange contracts*	–	(86)
Gold futures contracts*	80	65
Currency futures contracts*	(35)	(101)
Total Value	4,654	746

* Secured by the total pledged deposits of approximately HK\$1,241,500.



CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

Lo Ngai Hang

Practising Certificate Number P04743

Hong Kong, 26 November 2014



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2014

	Notes	Six months ended 30 September 2014 (unaudited) HK\$'000	2013 (unaudited) 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



		Six months ended 30 September	
		2014	2013
		(unaudited)	(unaudited)
Notes		HK\$'000	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			
	— Basic	9 HK3.3 cents	HK4.1 cents
	— Diluted	N/A	N/A



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

		30 September 2014 (unaudited) Notes	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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Merger reserve HK\$'000	Foreign exchange reserve HK\$'000	Proposed dividend HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2013	5,019	49,480	3,834	(9,000)	9	20,077	64,140	133,559
Profit for the period	-	-	-	-	-	-	20,676	20,676
Other comprehensive income:								
Exchange alignment	-	-	-	-	8	-	-	8
Total comprehensive income for the period	-	-	-	-	8	-	20,676	20,684
Share issued under share option scheme	117	8,299	(2,357)	-	-	-	-	6,059
Recognition of share-based payments	-	-	30	-	-	-	-	30
Lapse of share-based payment expenses	-	-	(1,441)	-	-	-	1,441	-
Forfeiture of share-based payment expenses	-	-	(36)	-	-	-	36	-
Final dividend paid	-	-	-	-	-	(20,077)	(388)	(20,465)
At 30 September 2013 (unaudited)	<u>5,136</u>	<u>57,779</u>	<u>30</u>	<u>(9,000)</u>	<u>17</u>	<u>-</u>	<u>85,905</u>	<u>139,867</u>



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014

	Six months ended 30 September	
	2014	2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash generated from operating activities	16,437	48,136
Net cash used in investing activities	(2,352)	(86,301)
Net cash used in financing activities	<u>(17,095)</u>	<u>(13,735)</u>
Net decrease in cash and cash equivalents	(3,010)	(51,900)
Cash and cash equivalents at beginning of the period	<u>121,923</u>	<u>78,279</u>
Cash and cash equivalents at end of the period	<u>118,913</u>	<u>26,379</u>



4. SEGMENT INFORMATION (Cont'd)

	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	<u>267,430</u>	<u>266,897</u>	<u>62,017</u>	<u>62,047</u>	<u>42,371</u>	<u>20,000</u>	<u>371,818</u>	<u>348,944</u>
Additions to non-current segment assets during the periods	<u>3,765</u>	<u>7,146</u>	<u>-</u>	<u>13</u>	<u>-</u>	<u>-</u>	<u>3,765</u>	<u>7,159</u>
Reportable segment liabilities	<u>193,571</u>	<u>190,593</u>	<u>21,573</u>	<u>22,662</u>	<u>227</u>	<u>317</u>	<u>215,371</u>	<u>213,572</u>

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

	Six months ended 30 September	
	2014	2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Reportable segment revenue	<u>173,149</u>	<u>157,319</u>
Group revenue	<u>173,149</u>	<u>157,319</u>
Reportable segment profit	<u>20,976</u>	<u>26,199</u>
Finance cost	<u>(258)</u>	<u>(288)</u>
Other corporate expenses	<u>(236)</u>	<u>(676)</u>
Profit before income tax expense	<u>20,482</u>	<u>25,235</u>



4. SEGMENT INFORMATION (Cont'd)

	At 30 September 2014 (unaudited) HK\$'000	At 31 March 2014 (audited) 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		At	At
	30 September 2014 (unaudited)	2013 (unaudited)	30 September 2014 (unaudited)	31 March 2014 (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



5. REVENUE AND OTHER INCOME (Cont'd)

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 (unaudited) HK\$'000	2013 (unaudited) 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	<u>6,163</u>	<u>7,704</u>
	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)	-
	-	98
At end of the period	-	98



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	<u>20,256</u>	<u>21,712</u>
	<u>23,158</u>	<u>24,588</u>

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.



17. COMMITMENTS (Cont'd)

Operating lease commitments (Cont'd)

Group as lessee (Cont'd)

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	<u>23,817</u>	<u>22,280</u>
	<u>60,419</u>	<u>58,078</u>
Other assets:		
Within one year	656	635
In the second to fifth years, inclusive	<u>1,323</u>	<u>1,700</u>
	<u>1,979</u>	<u>2,335</u>

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	<u>-</u>	<u>334</u>
	<u>1,336</u>	<u>2,338</u>

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	<u>1,090</u>	<u>2,046</u>
Rental deposit paid to related companies included in prepayments, deposits and other receivables	<u>518</u>	<u>1,128</u>

Note: The terms of the above transactions are mutually agreed by the Group and the related companies. The Directors are of the opinion that the terms were made in the ordinary course of business on normal commercial basis.

(b) Compensation of key management personnel

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

	Six months ended 30 September	
	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
	<u>2,857</u>	<u>2,835</u>



19. POSSIBLE ACQUISITION OF A COMPANY

On 31 March 2014, the Group has entered into 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 Shenzhen SKAL Travel Service Limited (the “Target Company”) for a consideration not exceeding RMB2.4 million. The Target Company’s principal business is the operation of travel-related business in the PRC. Upon completion of the acquisition, one of the existing shareholders of the Target Company namely China International Travel Services Shenzhen Co., Limited and the Group will have 45% and 55% equity interest in the Target Company respectively. As of the date of this report, the acquisition of the Target Company has not been completed.