

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

Interim Report **2012/2013**



專業旅運

Travel **Expert** Ltd.

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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

COMPLIANCE ADVISER

REORIENT Financial Markets 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

Butterfield Fulcrum Group (Cayman) Limited

Butterfield House

68 Fort Street

P. O. Box 609

Grand Cayman KY1-1107

Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai

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
		2012 HK\$'000	2011 HK\$'000	
Profitability				
Gross sales proceeds		803,812	716,702	+12.2%
Revenue		127,721	108,801	+17.4%
Profit attributable to owners of the Company (excluding equity settled share options expense)		17,009	12,333	+38.0%
Profit attributable to owners of the Company		15,204	12,039	+26.3%
Earnings per share — Basic (HK cents)	1	3.0	3.0	0%
Financial ratio				
Return on equity (%)	2	14.3%	13.9%	+0.4%
Current ratio	3	1.35	1.34	+0.01
Gearing ratio (%)	4	3.1%	7.9%	-4.8%

Notes:

1. The calculation of the basic earnings per share is based on 500,000,000 (2011: 401,639,000) weighted average number of ordinary shares in issue during the period.
2. Return on equity is calculated based on the profit for the period divided by total equity at the end of the period and multiplied by 100%.
3. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the period.
4. Gearing ratio is calculated based on the bank borrowing divided by total equity at the end of the period and multiplied by 100%.



CHAIRMAN'S STATEMENT

Dear Honorable Shareholders,

Against the backdrop of sluggish global economy, intensifying industry competition as well as escalating pressure stemming from shop rent and labor costs, the six months ended 30 September 2012 was another challenging yet rewarding period for the Group. The Group achieved a satisfactory business growth in line with its expectation.

The retail business recorded a steady growth and the MICE (meeting, incentive, conference and exhibition) business is according to the Group's target despite the turbulence in the local and international economies. The corporate business of the Group was, however, inevitably affected as a result of budget cut on corporate travel activities. Nonetheless, the Group will continue to diversify its business by further expanding the corporate and MICE businesses.

It is encouraging that the number of customers travelling to Japan has rebounded and even exceeded the previous level after the earthquake and tsunami disaster in 2011. During the period, with the Group's efforts in promoting other Asian countries, the Group witnessed a significant growth in the markets of South Korea, Singapore and Malaysia. The Group will continue to pursue development in these markets and thus diversify the Group's income source in the future.

As at 30 September 2012, the total number of retail shops increased to 57. To lessen the impact of the upsurge in shop rent, the Group have acquired a shop located in the hub of Yuen Long with heavy pedestrian traffic. The Group strived to identify strategic locations for new retail outlets so as to expand its sales network effectively.

A brand new business line named "Tailor Made Holidays (度新假期)", which focuses on packaged products, is expected to be launched in the second half of the financial year, through which the Group aims to further increase the market share in the FIT (frequent individual traveller) market and broaden the Group's customer base.



In addition, the Group strived to improve its infrastructure to enhance operation efficiency and improve its service quality. The Group continued to upgrade its information technology system by developing a new platform for direct booking with suppliers.

Looking ahead, the global economic condition remains to be challenging. To confront with new challenges and maximise the returns for shareholders, the Group will strive to control operation costs, identify new business opportunities and explore possibilities of diversification into other businesses.

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

Ko Wai Ming, Daniel

Chairman and Executive Director

Hong Kong, 28 November 2012



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the six months ended 30 September 2012 (the “period under review”), the Group recorded satisfactory business growth with revenue amounting to HK\$127.7 million (for the six months ended 30 September 2011: HK\$108.8 million), representing an increase of 17.4%. The increase was primarily contributed by the considerable revenue growth in the Group’s retail business. Profit for the period attributable to owners of the Company increased from HK\$12.0 million in the same period last year to HK\$15.2 million for the period under review. This was mainly due to expansion of sales network, enhancement in service quality and improvement in management efficiency. Basic earnings per share attributable to owners of the Company for the six months ended 30 September 2012 was HK3.0 cents (six months ended 30 September 2011: HK3.0 cents).

BUSINESS REVIEW

The Group operated its Hong Kong retail business mainly through Travel Expert Limited (專業國際旅運有限公司), which is the core focus of the Group. During the period under review, sales performance from retail customers has demonstrated considerable growth, which was attributable to the Group’s efforts in identifying strategic locations for the Group’s retail shops to expand its sales coverage and increased marketing effort to promote new travel destinations.

Despite the gloomy global economic outlook, the Group believes individual customers’ interest in travelling has not been materially dampened. During the period under review, the number of customers travelling to Japan, one of the most popular travel destinations for Hong Kong people, has rebounded after the earthquake and tsunami disaster in Japan in 2011, and has even exceeded the level prior to the incident. Furthermore, in view of the nuclear crisis following the incident, the Group has committed great effort in promoting the travel sales of other Asian countries, and the Group’s efforts have paid off as the Group recorded a significant growth in revenue in respect of the South Korean market and a climb in the number of customers travelling to Singapore and Malaysia. The combination of such favorable factors has contributed to the growth in the Group’s retail business for the period under review.



However, sales performance from corporate customers is negatively affected by the sluggish and unstable economic environment that exerted tremendous pressure on the operations of all industries. In view of this, reduction in operating costs is of their highest priority and thus leads to a stringent control on the travelling budget of the companies.

The Group's new business line operated under Travel Expert Business Services Limited (專業旅運商務有限公司) ("TEBSL") principally focuses on the Group's corporate business. As the Group is confident that there is immense development potential in the corporate and businesses relating to meeting, incentive, conference and exhibition ("MICE business") in the long term, the Group will continue to devote resources into these areas in the coming years.

Overall, gross sales proceeds amounted to HK\$803.8 million for the period under review, representing an increase of 12.2% as compared with HK\$716.7 million for the six months ended 30 September 2011. After deducting the cost of travel related products, net of the incentive income from service providers, airlines and other travel products suppliers (which primarily consists of cost of air tickets, hotel accommodations and other travel related products, such as visa processing and travel insurance processing) of HK\$676.1 million for the period under review (six months ended 30 September 2011: HK\$607.9 million), revenue for the period under review was HK\$127.7 million (six months ended 30 September 2011: HK\$108.8 million), representing an increase of 17.4%.

FINANCIAL REVIEW

Selling and Distribution Costs

Selling and distribution costs were HK\$87.9 million for the period under review, representing an increase of 16.6% from HK\$75.4 million for the same period in 2011. During the period under review, selling and distribution expenses accounted for 68.8% of the Group's revenue, representing a decrease of 0.5% from 69.3% in the same period last year.



Staff costs and shop rent accounted for the vast majority of the Group's selling and distribution costs. According to the HKSAR Rating and Valuation Department, there has been steady upward pressure on the average rental of retail premises in Hong Kong in previous years. Nonetheless, in order to stretch out the Group's sales network and deliver convenient and quality services to the Group's customers, the Group operated a total of 57 retail shops as at 30 September 2012. Such upsurge in rental coupled with the Group's increase in number of retail shops has resulted in intensifying cost pressure on the Group. In response, during the period under review, the Group entered into a sale and purchase agreement for the acquisition of a shop located on a busy street in Yuen Long. Such acquisition represents a step to keep the Group's rental cost under control.

Administrative Expenses

For the period under review, administrative expenses of the Group amounted to HK\$23.9 million, representing an increase of 14.4% from HK\$20.9 million for the six months ended 30 September 2011. Administrative expenses accounted for 18.7% of the Group's revenue during the period under review, a decrease of 0.5% from 19.2% in the same period last year.

Salaries of back office staff accounted for the majority of the Group's administrative expenses. This was attributable to the increase in headcounts as well as the increment of salaried benefit.

Administrative expenses also includes computer and system maintenance. During the period under review, the Group continued to upgrade its information technology system by developing a new platform for direct booking with suppliers, so as to streamline the Group's internal process flow and deliver efficient and quality services to customers.

Finance Cost

Finance cost of the Group for the six months ended 30 September 2012 was approximately HK\$60,000, which was related to an interest-bearing bank borrowing of a mortgage loan for the Group's property (for the six months ended 30 September 2011: approximately HK\$23,000).

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 2012 remained healthy with a net assets value of HK\$106.4 million (as at 31 March 2012: HK\$107.4 million). The Group recorded a strong cash inflow during the period under review. Including the time deposits over three months, the Group holds cash and cash equivalents of approximately HK\$148.9 million as at 30 September 2012 (as at 31 March 2012: HK\$157.1 million).

The Group did not hold any significant financial investment as at 30 September 2012.

As at 30 September 2012, the Group's current ratio (current assets divided by current liabilities) was 1.35 times compared with 1.37 times as at 31 March 2012, and the gearing ratio (bank borrowing divided by total equity) was approximately 3.1% as compared with 6.1% as at 31 March 2012. In view of the Group's steady cash inflow from operations together with the surplus cash position, the Group has adequate financial resources to support its future business development and expansion plan.

Contingent Liabilities

The Group did not have any contingent liabilities as at 30 September 2012.

Capital Commitment

Save for the capital commitment in respect of the balance payment of HK\$45.7 million relating to the purchase of a property located in Yuen Long, the Group did not have any other material capital commitment as at 30 September 2012.

Pledge of Assets

As at 30 September 2012, the Group had an outstanding mortgage loan amounting to approximately HK\$3.3 million (as at 31 March 2012: HK\$6.5 million) which was repayable on demand and secured by the Group's land and building. The interest rate of such bank loan was at 1.75% over 1 month HIBOR.



Foreign Exchange Risks and Treasury Policies

The Group has foreign currency exposures. Such exposures 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.

For the six months ended 30 September 2012, an exchange gain of approximately HK\$0.53 million was recorded (six months ended 30 September 2011: exchange gain of HK\$0.58 million).

Human Resources and Employee's Remuneration

As at 30 September 2012, the Group had a total workforce of 543 (as at 30 September 2011: 474), of which about 75.5% were front line staff.

Employees' remuneration package is determined by reference to the market pay and individual performance and will be reviewed on a regular basis. Other benefits include contributions to mandatory provident fund and medical insurance. In addition, the Group has granted Pre-IPO share options to certain eligible persons pursuant to a Pre-IPO share option scheme before listing in September 2011.

The remuneration policy will be reviewed by the board of Directors of the Company (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 2012.

OUTLOOK

Looking forward, the Group will spend efforts on the development of a brand new business line "Tailor Made Holidays (度新假期)" and the further enhancement of TEBSL's business, with an aim to diversify the Group's business portfolio, increase its market share and consolidate its position in the industry. The Group is also looking to upgrade its information technology system as well as migrate fully to a new GDS (Global Distribution System) provider in order to enhance its overall operation efficiency and reduce its operating costs in the future.

In view of the lingering European sovereign debt crisis, the gloomy global economic environment is expected to continue and business growth in the second half of the year may be slower as compared to the first half. Therefore, the Group will manage its retail outlet expansion and overseas business development in a prudent manner so as to minimise its risk exposure. Taking into account the continual influx of Chinese tourists into Hong Kong in the recent years, the Group will continue to monitor closely the market trend in China in order to better facilitate its local development as well as explore more business opportunities. The Group will leverage on its years of experience and expertise to ceaselessly provide customers with travel services of the highest quality and reap fruitful returns for shareholders.

USE OF PROCEEDS

The proceeds from the placing and initial public offer of the Company amounted to approximately HK\$63 million. Up to 30 September 2012, the proceeds were used for the following purposes:

- approximately HK\$0.9 million was used to increase the headcounts and resources for developing corporate and MICE business;
- approximately HK\$1.2 million was used as the set-up and general operating expenses for the Group's China business;
- approximately HK\$5.0 million was used to set-up the Group's new headquarters and upgrade its operational infrastructure; and
- approximately HK\$0.9 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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2012.

CORPORATE GOVERNANCE

During the six months ended 30 September 2012, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices, which was in effect before 1 April 2012, and the Corporate Governance Code, which was effective from 1 April 2012, as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed and discussed with the management of the Company the unaudited interim results for the six months ended 30 September 2012. BDO Limited, the independent auditor of the Company, also reviewed the interim financial information 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 Hong Kong Institute of Certified Public Accountants.

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 2012.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30 September 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code as set out in Appendix 10 of the Listing Rules 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				Approximate percentage of the issued share capital
	Personal interests	Family interests	Corporate interests	Total interests	
Mr. Ko Wai Ming, Daniel ("Mr. Ko")	500,000	10,860,000 (Note a)	356,100,000 (Note b)	367,460,000	73.49%
Ms. Cheng Hang Fan ("Mrs. Ko")	10,860,000	500,000 (Note a)	356,100,000 (Note b)	367,460,000	73.49%

Notes:

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



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

Name of Director	Number of Pre-IPO share options held			Approximate percentage of the issued share capital
	Beneficial owner	Family interest	Total (Note a)	
Mr. Ko	500,000	500,000 (Note b)	1,000,000	0.2%
Mrs. Ko	500,000	500,000 (Note b)	1,000,000	0.2%
Mr. Kam Tze Ming, Alfred ("Mr. Kam")	5,000,000	–	5,000,000	1.0%
Mr. Chan Wan Fung ("Mr. Chan")	2,500,000	–	2,500,000	0.5%

Notes:

- (a) The Pre-IPO share options were granted under the Pre-IPO share option scheme adopted by the Company on 31 March 2011 (the "Pre-IPO Share Option Scheme").
- (b) Each of Mr. Ko and Mrs. Ko was granted options under the Pre-IPO Share Option Scheme to subscribe for 500,000 shares of the Company. 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 subject to the share options granted to Mrs. Ko and Mrs. Ko is deemed to be interested in the shares of the Company subject to the share options granted to Mr. Ko.

(c) **Long positions in shares and underlying shares of associated corporation**

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

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

Save as disclosed above, as at 30 September 2012, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of SFO) which are required, pursuant to section 352 of the SFO, to be entered in the registers referred to therein or are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.



SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30 September 2012, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or notified to the Company pursuant to the SFO.

Name	Beneficial owner	Family interest	Total number of shares held	Approximate percentage of issued shares
CHHL (Note a)	356,100,000	–	356,100,100	71.22%
Mr. Chu Hung Kwan ("Mr. Chu") (Note b)	28,635,000	11,500,000	40,135,000	8.03%
Ms. Tai Kan Yuet ("Mrs. Chu") (Note b)	11,500,000	28,635,000	40,135,000	8.03%

Notes:

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

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 30 September 2012, had an interest or a short position in the shares or underlying shares of the Company which are recorded in the register required to be kept under Section 336 of the SFO or notified to the Company pursuant to the SFO.

SHARE OPTIONS SCHEMES

PRE-IPO SHARE OPTION SCHEME

The Company adopted the Pre-IPO Share Option Scheme on 31 March 2011 for the purpose of recognizing the contributions of selected eligible persons to the growth of the Group and the listing of shares of the Company. Options to subscribe for an aggregate of 23,704,000 shares of the Company (the "Pre-IPO Share Options") were granted on 6 September 2011 and no further options would be granted under the Pre-IPO Share Option Scheme. The options vest within one to two years from the dates of grant and then are exercisable within a period of one year.

Details of the movements of the Pre-IPO Share Options for the six months ended 30 September 2012 are as follows:

Grantee	Exercisable period	Number of options		Exercise price per share (HK\$)
		Balance at 1 April 2012	Forfeited during the period	
Directors				
Mr. Ko	30/09/2012 to 29/09/2013	500,000	–	0.504
Mrs. Ko	30/09/2012 to 29/09/2013	500,000	–	0.504
Mr. Kam	30/09/2012 to 29/09/2013	5,000,000	–	0.504
Mr. Chan	30/09/2012 to 29/09/2013	1,250,000	–	0.630
	30/09/2013 to 29/09/2014	1,250,000	–	1.260
Employees				
In aggregate	30/09/2012 to 29/09/2013	2,000,000	–	0.504
	30/09/2012 to 29/09/2013	12,372,000	(496,000)	0.5355
Total		22,872,000	(496,000)	22,376,000



During the six months ended 30 September 2012, none of the Pre-IPO Share Options was exercised or cancelled and 496,000 options were forfeited as certain option holders ceased to be eligible persons under the Pre-IPO Share Option Scheme.

SHARE OPTION SCHEME

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

INDEPENDENT REVIEW REPORT



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

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

INTRODUCTION

We have reviewed the condensed consolidated interim financial statements set out on pages 21 to 36 which comprises the consolidated statement of financial position of Travel Expert (Asia) Enterprises Limited and its subsidiaries as of 30 September 2012 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of these condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

BDO Limited

Certified Public Accountants

Lo Ngai Hang

Practising Certificate Number P04743

Hong Kong, 28 November 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	Notes	Six months ended 30 September	
		2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
Revenue	5	127,721	108,801
Other income	5	2,781	2,295
Selling and distribution costs		(87,932)	(75,430)
Administrative expenses		(23,851)	(20,898)
Profit from operations	6	18,719	14,768
Finance costs	7	(60)	(23)
Profit before income tax		18,659	14,745
Income tax expense	8	(3,455)	(2,706)
Profit for the period attributable to owners of the Company		15,204	12,039
Other comprehensive income			
Fair value loss on available-for-sale financial assets		–	(142)
Reclassification adjustment for disposal of available-for-sale financial assets		–	175
Other comprehensive income for the period, net of tax		–	33
Total comprehensive income for the period attributable to owners of the Company		15,204	12,072
Earnings per share attributable to owners of the Company	9		
— Basic		HK3.0 cents	HK3.0 cents
— Diluted		N/A	N/A



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

		30 September 2012 (unaudited) HK\$'000	31 March 2012 (audited) HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	51,769	53,135
Deposit paid for purchase of property, plant and equipment	17	5,080	–
		<u>56,849</u>	<u>53,135</u>
Current assets			
Inventories		2,051	1,701
Trade receivables	12	6,299	7,985
Prepayments, deposits and other receivables		35,476	31,792
Prepaid tax		–	814
Time deposits over three months	13	24,944	100,000
Cash and cash equivalents	13	123,942	57,136
		<u>192,712</u>	<u>199,428</u>
Current liabilities			
Trade payables	14	103,752	110,446
Accrued charges, deposits received and other payables		33,426	28,104
Bank borrowing	15	3,253	6,533
Provision for tax		2,725	84
		<u>143,156</u>	<u>145,167</u>
Net current assets		<u>49,556</u>	<u>54,261</u>
Net assets		<u>106,405</u>	<u>107,396</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	5,000	5,000
Reserves		101,405	102,396
Total equity		<u>106,405</u>	<u>107,396</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Merger reserve HK\$'000	Available-for-sale financial assets revaluation reserve HK\$'000	Proposed final dividend HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2011	-	-	-	(9,000)	(33)	-	30,481	21,448
Issue of shares	1,000	62,000	-	-	-	-	-	63,000
Share issue expenses	-	(9,890)	-	-	-	-	-	(9,890)
Shares capitalisation	4,000	(4,000)	-	-	-	-	-	-
Recognition of share-based payments	-	-	294	-	-	-	-	294
Transactions with owners	5,000	48,110	294	-	-	-	-	53,404
Profit for the period	-	-	-	-	-	-	12,039	12,039
Other comprehensive income								
— Fair value loss on available-for-sale financial assets	-	-	-	-	(142)	-	-	(142)
— Reclassification adjustment for disposal of available-for-sale financial assets	-	-	-	-	175	-	-	175
Total comprehensive income for the period	-	-	-	-	33	-	12,039	12,072
At 30 September 2011 (unaudited)	5,000	48,110	294	(9,000)	-	-	42,520	86,924
At 1 April 2012	5,000	48,110	2,466	(9,000)	-	18,000	42,820	107,396
Final dividend declared	-	-	-	-	-	(18,000)	-	(18,000)
Recognition of share-based payments	-	-	1,805	-	-	-	-	1,805
Transactions with owners	-	-	1,805	-	-	(18,000)	-	(16,195)
Profit for the period	-	-	-	-	-	-	15,204	15,204
Total comprehensive income for the period	-	-	-	-	-	-	15,204	15,204
At 30 September 2012 (unaudited)	5,000	48,110	4,271	(9,000)	-	-	58,024	106,405



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

	Six months ended 30 September	
	2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
Net cash generated from operating activities	18,962	4,840
Net cash generated from/(used in) investing activities	69,184	(37,099)
Net cash (used in)/generated from financing activities	<u>(21,340)</u>	<u>12,045</u>
Net increase/(decrease) in cash and cash equivalents	66,806	(20,214)
Cash and cash equivalents at beginning of the period	<u>57,136</u>	<u>94,866</u>
Cash and cash equivalents at end of the period	<u>123,942</u>	<u>74,652</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2012

1. GENERAL INFORMATION

Travel Expert (Asia) Enterprises Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company and its subsidiaries (the “Group”) is located at 9/F., Kowloon Plaza, No. 485 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 30 September 2011.

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

The condensed consolidated interim financial statements for the six months ended 30 September 2012 were approved and authorised for issue by the Board of Directors on 28 November 2012.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 September 2012 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.

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 2012.



3. ACCOUNTING POLICIES

The accounting policies 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 2012, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning on 1 April 2012. The effect of the adoption of these standards, amendments and interpretations was not material to the Group's results of operations or financial position.

4. SEGMENT INFORMATION

The Group has identified its operating segment based on the regular internal financial information reported to the Group's Executive Directors for their decisions about resources allocation and review of performance. The only component in the internal reporting to the Group's Executive Directors is the Group's travel agency business which comprises the service income from the sales of travel packages including air tickets, hotel accommodation and other travel related products. In addition, the customers of the Group, based on the location at which the services were provided, are from Hong Kong and no revenue from transactions with a single customer amounted to 10 per cent or more of the Group's revenue. Accordingly, no segment disclosures are disclosed or required to be disclosed.

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. 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	
	2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
Revenue	127,721	108,801
Other income		
Interest income on deposits in banks and financial institutions	942	33
Dividend income	–	160
Sundry income	1,839	2,102
	2,781	2,295
Total revenue and other income	130,502	111,096

Gross Sales Proceeds

Gross sales proceeds from the sales of air tickets, hotel accommodation and other travel related products, which does not represent revenue, representing the price at which products have been sold inclusive of any service fees are as follows:

	Six months ended 30 September	
	2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
Gross sales proceeds	803,812	716,702



6. PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
Profit before income tax is arrived at after charging/(crediting):		
Bad debt written off	41	–
Depreciation*	3,095	2,189
Loss on disposal of property, plant and equipment	5	4
Loss on disposal of available-for-sale investments	–	175
Net foreign exchange gain	(534)	(584)
Operating lease charges in respect of leasehold premises		
— Minimum leases payments	17,637	15,916
— Contingent rents**	11	1
	<u>17,648</u>	<u>15,917</u>
Operating leases in respect of office equipment	534	349
Staff costs (including directors' remuneration)		
— Wages and salaries	63,763	52,702
— Retirement scheme contribution	2,431	2,006
— Share-based payment expenses	1,805	294
	<u>67,999</u>	<u>55,002</u>

* Depreciation expenses have been included in:

- selling and distribution costs approximately of HK\$1,640,000 for the period ended 30 September 2012 (six months ended 30 September 2011: HK\$1,845,000); and
- administrative expenses approximately of HK\$1,455,000 for the period ended 30 September 2012 (six months ended 30 September 2011: HK\$344,000).

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

7. FINANCE COSTS

	Six months ended 30 September	
	2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
Interest on bank borrowings not wholly repayable within five years	<u>60</u>	<u>23</u>

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
Current tax — Hong Kong Tax for the period	<u>3,455</u>	<u>2,706</u>

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 the Cayman Islands and the BVI during the six months ended 30 September 2011 and 2012 respectively.

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits 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\$15,204,000 (six months ended 30 September 2011: HK\$12,039,000) and the 500,000,000 (six months ended 30 September 2011: 401,639,000) 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

The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2012 (six months ended 30 September 2011: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2012, the Group incurred capital expenditures of nil (six months ended 30 September 2011: HK\$45,108,000) in land and building, approximately HK\$1,015,000 (six months ended 30 September 2011: HK\$1,157,000) in leasehold improvement, approximately HK\$438,000 (six months ended 30 September 2011: HK\$632,000) in office equipment, and approximately HK\$281,000 (six months ended 30 September 2011: HK\$282,000) in furniture and fixtures.

12. TRADE RECEIVABLES

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

	30 September 2012 (unaudited) HK\$'000	31 March 2012 (audited) HK\$'000
0 – 30 days	4,542	6,164
31 – 90 days	1,213	1,564
Over 90 days	544	257
	<u>6,299</u>	<u>7,985</u>

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

13. TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

	30 September 2012 (unaudited) HK\$'000	31 March 2012 (audited) HK\$'000
Cash deposits in banks and a financial institution	35,227	41,341
Short-term deposits in banks	<u>113,659</u>	<u>115,795</u>
	148,886	157,136
Less: Time deposits with an original maturity of more than three months	<u>(24,944)</u>	<u>(100,000)</u>
Cash and cash equivalents	<u>123,942</u>	<u>57,136</u>

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 2012 (unaudited) HK\$'000	31 March 2012 (audited) HK\$'000
0 – 30 days	76,031	84,713
31 – 90 days	21,998	20,799
Over 90 days	<u>5,723</u>	<u>4,934</u>
	<u>103,752</u>	<u>110,446</u>



15. BANK BORROWING

	30 September 2012 (unaudited) HK\$'000	31 March 2012 (audited) HK\$'000
Secured bank borrowing		
Portion due for repayment within one year	550	701
Portion due for repayment after one year which contain a repayable on demand clause	<u>2,703</u>	<u>5,832</u>
	<u>3,253</u>	<u>6,533</u>

The Group's interest bearing bank borrowing bears floating rate at 1.75% per annum over 1 month HIBOR and is secured by the Group's land and building of approximately HK\$44,061,000 as at 30 September 2012.

The current liabilities include bank borrowing of approximately HK\$2,703,000 that is not scheduled for repayment within one year. The bank borrowing is classified as current liabilities because the related loan agreement contains a clause that provides the lender with an unconditional right to demand repayment at any time at its own discretion.

16. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 March 2012 and 30 September 2012	2,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 31 March 2012 and 30 September 2012	500,000	5,000

17. COMMITMENTS

Operating lease commitments

The Group leases certain premises and office equipment under operating lease commitments for terms ranging from one to five 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 of the relevant shops when the sales meets certain specified level.



17. COMMITMENTS (Cont'd)

Operating lease commitments (Cont'd)

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2012 (unaudited) HK\$'000	31 March 2012 (audited) HK\$'000
Buildings:		
Within one year	36,064	28,113
In the second to fifth years, inclusive	<u>25,288</u>	<u>15,475</u>
	<u>61,352</u>	<u>43,588</u>
Other assets:		
Within one year	195	518
In the second to fifth years, inclusive	<u>84</u>	<u>119</u>
	<u>279</u>	<u>637</u>

Capital commitment

The Group had the following capital commitment:

	30 September 2012 (unaudited) HK\$'000	31 March 2012 (audited) HK\$'000
Property:		
Contracted but not provided for	<u>45,720</u>	<u>–</u>

During the six months ended 30 September 2012, the Group has entered into an agreement to acquire a property located in Yuen Long for a consideration of HK\$50,800,000. Up to 30 September 2012, the Group has paid HK\$5,080,000 as the purchase deposit. The commitment contracted but not provided for in respect of the property acquisition is HK\$45,720,000 as at 30 September 2012.

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.

(a) Significant related party transactions during the periods

	Six months ended 30 September	
	2012	2011
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Rental expenses paid to related companies	<u>3,247</u>	<u>3,134</u>
Rental deposit paid to related companies included in prepayments, deposits and other receivables	<u>1,427</u>	<u>1,567</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 and on normal commercial basis.



18. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Key management personnel remuneration

Remuneration for key executives of the Group who have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's Directors, is as follows:

	Six months ended 30 September	
	2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
Short term employee benefits	2,460	2,495
Retirement scheme contribution	28	17
Share-based payment expenses	685	106
	3,173	2,618