



XPRESS GROUP LIMITED
(Incorporated in Hong Kong with limited liability)
 (Stock Code: 185)

**INTERIM RESULTS ANNOUNCEMENT
 FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2008**

The Board of Directors (the “Board”) of Xpress Group Limited (the “Company”), announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”), which have been reviewed by the Company’s Audit Committee.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2008

		Six months ended	
	<i>NOTES</i>	9.30.2008	9.30.2007
		<i>HK\$’000</i>	<i>HK\$’000</i>
		(unaudited)	(unaudited)
Revenue	3	797,384	704,426
Cost of sales		(704,159)	(636,862)
		93,225	67,564
Gross profit			
Fair value (loss) gain on financial assets at fair value through profit or loss		(11,546)	36,337
Fair value gain on investment properties		–	72,073
Bad debt recovered		207	424
Other operating income		4,821	57,021
Impairment loss recognised in respect of goodwill		(11,663)	–
Impairment loss on available-for-sale financial assets		(1,603)	–
Administrative expenses		(132,932)	(117,218)
		(59,491)	116,201
(Loss) profit from operations	4		
Finance costs		(5,521)	(9,591)
Share of results of associates		(5,238)	(4,452)
		(70,250)	102,158
(Loss) profit before income tax			
Income tax expense	5	(373)	(15,046)
		(70,623)	87,112
(Loss) profit for the period			
Attributable to:			
Equity holders of the Company		(71,984)	92,055
Minority interests		1,361	(4,943)
		(70,623)	87,112
(Loss) profit for the period			
(Loss) earning per share for (loss) profit attributable to equity holders of the Company during the period	7		
– Basic		(HK3.96) cents	HK5.13 cents
– Diluted		N/A	HK4.42 cents

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AT SEPTEMBER 30, 2008

	<i>NOTES</i>	9.30.2008 <i>HK\$'000</i> (unaudited)	3.31.2008 <i>HK\$'000</i> (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	66,541	67,272
Prepaid land leases		27,699	28,031
Investment properties	8	259,352	268,490
Interests in associates		18,405	24,460
Long term deposit		15,671	15,671
Available-for-sale financial assets		41,000	36,290
Goodwill		16,957	28,620
Loans receivable		346	901
Pledged bank deposits		3,900	3,900
		<hr/> 449,871 <hr/>	<hr/> 473,635 <hr/>
Current assets			
Inventories		521	676
Trade and other receivables, deposits paid and prepayments	9	152,308	180,844
Financial assets at fair value through profit or loss		29,093	46,313
Loans receivable		1,707	2,233
Amounts due from an associate		7,690	7,775
Pledged bank deposits		4,475	5,030
Cash and cash equivalents		135,229	223,315
		<hr/> 331,023 <hr/>	<hr/> 466,186 <hr/>
Current liabilities			
Trade and other payables	10	146,786	166,005
Borrowings		30,382	35,522
Finance lease payables		509	562
Convertible debentures	11	–	45,358
Taxes payable		16,598	16,539
		<hr/> 194,275 <hr/>	<hr/> 263,986 <hr/>
Net current assets		<hr/> 136,748 <hr/>	<hr/> 202,200 <hr/>
Total assets less current liabilities		<hr/> 586,619 <hr/>	<hr/> 675,835 <hr/>
Non current liabilities			
Borrowings		81,364	88,780
Finance lease payables		1,322	1,326
Amount due to associates		1,622	1,570
Deferred taxation		23,775	24,489
		<hr/> 108,083 <hr/>	<hr/> 116,165 <hr/>
Net assets		<hr/> 478,536 <hr/>	<hr/> 559,670 <hr/>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	12	18,191	18,191
Reserves		456,652	539,147
		<hr/> 474,843 <hr/>	<hr/> 557,338 <hr/>
Minority interests		<hr/> 3,693 <hr/>	<hr/> 2,332 <hr/>
Total equity		<hr/> 478,536 <hr/>	<hr/> 559,670 <hr/>

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2008

1. BASIS OF PREPARATION AND IMPACT OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements of the Group for the year ended March 31, 2008, except in relation to the adoption of the new or amended Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations issued by Hong Kong Institute of Certified Public Accountants) that are first effective on April 1, 2008 and relevant to the Group.

There was no material impact on the basis of preparation of the condensed consolidated interim financial statements arising from the adoption of the above-mentioned new and revised accounting standards.

2. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSS

The Company has not early adopted the following new and revised standards, amendments and interpretations that have been issued but are not yet effective, in these interim financial statements.

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statement ²
HKAS 32 & HKAS1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ¹
HKFRS 2 (Amendments)	Share-based Payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁴

¹ Effective for annual periods beginning on or after 1 January, 2009

² Effective for annual periods beginning on or after 1 July, 2009

³ Effective for annual periods beginning on or after 1 July, 2008

⁴ Effective for annual periods beginning on or after 1 October, 2008

Among these new standards and interpretations, HKAS 1 (Revised) is expected to be relevant to the Group’s financial statements, and its impact was detailed in note 2.3 to the Company’s annual report for the year ended 31 March, 2008.

The directors of the Company are currently assessing the impact of the other new or revised HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group’s financial statements.

3. SEGMENT INFORMATION

Business segments

For management purposes, the Group is organised into six business segments – travel related operations, hotel operations, credit card and finance operations, securities trading and investments, treasury investment and property investment. These principal operating activities are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

	Revenue/Turnover		Segment results	
	Six months ended		Six months ended	
	9.30.2008	9.30.2007	9.30.2008	9.30.2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
By business segment:				
Travel related operations	753,165	670,822	(6,449)	(8,217)
Hotel operations	23,695	15,032	(6,462)	(2,578)
Credit card and finance operations	6,253	6,335	(2,550)	(5,938)
Securities trading and investments	7,720	5,472	(5,807)	40,650
Treasury investment	3,032	3,696	3,034	3,696
Property investment	3,519	3,069	2,961	74,477
	<u>797,384</u>	<u>704,426</u>	<u>(15,273)</u>	<u>102,090</u>
Unallocated corporate revenue			10,393	57,021
Unallocated corporate expenses			<u>(54,611)</u>	<u>(42,910)</u>
(Loss) profit from operations			(59,491)	116,201
Finance costs			(5,521)	(9,591)
Share of results of associates			<u>(5,238)</u>	<u>(4,452)</u>
(Loss) profit before income tax			(70,250)	102,158
Income tax expenses			<u>(373)</u>	<u>(15,046)</u>
(Loss) profit for the period			<u><u>(70,623)</u></u>	<u><u>87,112</u></u>

4. (LOSS) PROFIT FROM OPERATIONS

Six months ended	
9.30.2008	9.30.2007
HK\$'000	HK\$'000
(unaudited)	(unaudited)

(Loss) profit from operations has been arrived
at after charging (crediting):

Depreciation	4,828	2,566
Amortisation of leasehold land	332	265
Dividend income	(7,717)	(5,472)
	<u> </u>	<u> </u>

5. INCOME TAX EXPENSE

No provision for Hong Kong profits tax have been made in the condensed financial statements as the Group had no assessable profit for the period ended September 30, 2008 and September 30, 2007.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Six months ended	
9.30.2008	9.30.2007
HK\$'000	HK\$'000

Continuing operations		
Current tax		
– Hong Kong	–	–
– Overseas	277	2,076
Under-provision (Over-provision) of current tax in respect of a prior year	96	(3)
Deferred tax	–	12,973
	<u> </u>	<u> </u>
Total tax charge for the period	<u> </u>	<u> </u>

6. DIVIDEND

No dividend were paid during the period. The directors do not recommend the payment of an interim dividend.

7. (LOSS) EARNINGS PER SHARE

The calculation of basic loss/earnings per share is based on the loss attributable to ordinary equity holders of the Company for the period of approximately HK\$71,984,000 (six months ended September 30, 2007: profit of approximately HK\$92,055,000) and the weighted average of 1,819,115,245 (six months ended September 30, 2007: 1,795,866,397) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period ended September 30, 2007 was based on the profit attributable to equity holders of the Company of HK\$92,055,000 and on the weighted average number of 2,084,002,589 ordinary shares in issue during the period.

	Number of shares	
	2008	2007
	HK\$'000	HK\$'000
Weighted average number of ordinary shares for the purposes of the basic earnings per share	1,819,115,245	1,795,866,397
Effect of dilutive potential ordinary shares:		
Share options	–	213,074,341
Warrants	–	75,061,851
	<u>1,819,115,245</u>	<u>2,084,002,589</u>

The computation of diluted loss per share for the period ended September 30, 2008 does not assume the exercise of potential dilutive ordinary shares as their exercise would result in reduction in loss per share for the period ended September 30, 2008.

As the convertible debentures of the Company's subsidiary outstanding during the six months ended September 30, 2007 were anti-dilutive to the Group's earnings per share, diluted earnings per share were not adjusted in this respect for that period.

8. INVESTMENT PROPERTIES/PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired investment properties and property, plant and equipment of HK\$nil million (six months ended September 30, 2007: HK\$36.7 million) and HK\$5.9 million (six months ended September 30, 2007: HK\$2.0 million).

9. TRADE AND OTHER RECEIVABLES, DEPOSITS PAID AND PREPAYMENT

The average credit term granted by the Group to its trade customers are as follows:

Hotel operations	60 days
Travel related operations	30 days
Credit card holders for retails sales	up to 56 days interest free repayment period

The following is an aged analysis of trade receivables at the reporting date:

	9.30.2008 <i>HK\$'000</i> (unaudited)	3.31.2008 <i>HK\$'000</i> (audited)
0 – 60 days	63,055	77,988
61 – 90 days	5,036	4,122
Over 90 days	6,078	3,182
	<hr/>	<hr/>
	74,169	85,292
Deposits, prepayments and other receivables (<i>note</i>)	77,471	94,884
Prepaid operating lease payment	668	668
	<hr/>	<hr/>
	152,308	180,844
	<hr/> <hr/>	<hr/> <hr/>

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade and other payables at the reporting date:

	9.30.2008 <i>HK\$'000</i> (unaudited)	3.31.2008 <i>HK\$'000</i> (audited)
0 – 60 days	58,206	88,084
61 – 90 days	242	352
Over 90 days	2,948	595
	<hr/>	<hr/>
	61,396	89,031
Other payables and accrued expenses	85,390	76,974
	<hr/>	<hr/>
	146,786	166,005
	<hr/> <hr/>	<hr/> <hr/>

11. CONVERTIBLE DEBENTURES

The convertible debentures were issued by a subsidiary of the Company, eBanker USA.com, Inc and was matured on August 1, 2008.

12. SHARE CAPITAL

<i>Authorised:</i>	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each At March 31, 2008 and September 30, 2008	<u>1,000,000,000,000</u>	<u>10,000,000</u>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.01 each at April 1, 2008	1,819,089,466	18,191
Exercise of warrants subscription rights	33,876	–
Exercise of share options	–	–
At September 30, 2008, shares of HK\$0.01 each	<u>1,819,123,342</u>	<u>18,191</u>

13. PLEDGE OF ASSETS

As at September 30, 2008, the Group pledged bank balances of HK\$4,475,000 (March 31, 2008: HK\$3,900,000) as a security for banking facilities granted to a subsidiary and as securities for the credit card business transactions with MasterCard Worldwide.

As at September 30, 2008, the Group's banking facilities of HK\$111,746,000 (March 31, 2008: HK\$124,302,000) are secured by:

- (a) its leasehold land and buildings and prepaid land leases with carrying value of HK\$65,670,000 (March 31, 2008: HK\$68,004,000);
- (b) its investment properties with carrying value of HK\$185,883,000 (March 31, 2008: HK\$193,618,000);
- (c) its bank balances with carrying value of HK\$4,825,000 (March 31, 2008: HK\$5,030,000);
- (d) assignment of rent of an investment property;
- (e) a floating charge over the asset of a subsidiary;
- (f) its securities with carrying value of HK\$3,401,000 (March 31, 2008: HK\$3,713,000);
- (g) assignment of insurance of certain land and building and investment properties; and
- (h) its account receivables amounting HK\$9,414,000 (March 31, 2008: HK\$59,937,000).

14. POST BALANCE SHEET EVENT

In September 2008, due to the historical and expected financial performance of the credit card division, the Group has decided to close the credit card division of one of its subsidiary, Xpress Finance Limited. Xpress Finance Limited continues to provide consumer and corporate financing.

On 14 November, 2008, a Japanese subsidiary of the Company, Xpress (“Japan Travel”), filed a petition for the liquidation of Japan Travel in Japan in Shortly after, a liquidation trustee was appointed by the court to deal with the rights and claims that creditors have against Japan Travel.

On November 19, 2008, the Group entered into a sale and purchase agreement for the disposal of the 56.46% of the issued and paid-up capital of Makino Air Travel Service Co., Ltd for a total of cash consideration of JPY30 million.

On 11 December, 2008, the Group entered into a sale and purchase agreement with the purchaser for the disposal of 60% of the issued and paid-up capital of Anglo-French Travel Pte Ltd at a consideration of S\$2,100,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group’s turnover for the six months ended September 30, 2008 was HK\$797.3 million, compared to turnover of HK\$704.4 million for the same period in 2007, representing a 13% increase. Loss attributable to equity holders of the Company for the six months ended September 30, 2008 was HK\$72.0 million compared to profit of HK\$92.1 million for the same period in 2007. The loss per share for the six months ended September 30, 2008 was HK3.96 cents compared to earning per share of HK5.13 cents for the same period in 2007.

Financial and Securities Investment Division

The division recorded a loss of HK\$5.8 million as compared to a profit of HK\$40.7 million for the same period in 2007.

Travel Agency Division

During the period, the travel business recorded a turnover and operating loss of approximately HK\$753.2 million (2007: HK\$670.8 million) and HK\$6.4 million (2007: HK\$8.2 million).

Hotels and Hospitality Division

During the period, the hospitality business recorded a turnover and operating loss of approximately HK\$23.7 million (2007: HK\$15.0 million) and HK\$6.5 million (2007: HK\$2.6 million).

Credit Card and Finance Division

During the period, the Group recovered bad debts of HK\$0.2 million and the Credit Card business recorded a turnover of approximately HK\$6.3 million, representing a decrease of 1.3% from the same period last year.

Liquidity and Capital Resources

During the period, the registered holders of 33,876 unit of 2009 Warrants exercised their rights to subscribe for ordinary shares. At the balance sheet date, the Company had outstanding 102,419,915 units of 2009 Warrants and 172,000,000 unlisted warrants. Exercise in full of such warrants would result in the issue of 275,419,915 additional shares of HK\$0.01 each.

As at September 30, 2008, the Group had bank balance and cash amounted to approximately HK\$135.2 million (3.31.2008: HK\$223.3 million) mainly dominated in US dollars, Hong Kong dollars, Singapore dollars and Japanese Yen. The Group had borrowings of approximately HK\$113.6 million mainly dominated in Hong Kong dollars, Singapore dollars and Japanese Yen (3.31.2008: HK\$171.5 million). As at September 30, 2008, the Group's current ratio was 1.70 (3.31.2008: 1.77) and had a net cash of approximately HK\$21.7 million (3.31.2008: HK\$51.8 million).

Foreign currencies and treasury policy

Substantially all the revenues, expenses, assets and liabilities are denominated in Hong Kong dollars, U.S. dollars, Canadian dollars, Japanese Yen and Singapore dollars. Due to the currency peg of the Hong Kong dollars to the U.S. dollars, the exchange rate between these two currencies has remained stable and thus no hedging or other alternatives have been implemented by the Group. Going forward, the Group may formulate a foreign currency hedging policy to provide a reasonable margin of safety in our exposure in Japanese Yen and Singapore dollars transaction, assets and liabilities.

Credit risk management

The Group's credit policy defines the credit extension criteria, the credit approval and monitoring processes, and the loan provisioning policy. The Group maintains tight control on loan assessments and approvals and will continue to exercise a conservative and prudent policy in granting loans in order to maintain a quality loan portfolio and manage the credit risk exposure of the Group.

Human resources

Remuneration packages are generally structured by reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. At the balance sheet date, there were approximately 450 employees employed by the Group. Share options may also be granted to eligible employees and persons of the Group.

Prospects

The Company is continuing to evaluate all the businesses of the Group to determine the future plans of the Group and rationalize its business direction in the light of the current adverse financial and economic circumstances. The Company continues to maintain its property investment, financial services and securities investments, including corporate finance, consumer finance and hotel operation through its subsidiaries and the travel related services will be operating through one of its indirect 31% owned associate, SingXpress Ltd.

The Group will continue to implement cost control measures and margin management, as well as to allocate resources to effect healthy development of its businesses.

Capital commitments

At the balance sheet date, the Group had authorised and contracted capital commitments of approximately HK\$58.3 million (3.31.2008: HK\$63 million), which was mainly related to capital expenditure for the acquisition of investment properties.

Contingent liabilities

At the balance sheet date, the Group has guarantees of HK\$13.6 million (3.31.2008: HK\$12.9 million) given to a financial institution in respect of banking facilities granted to a supplier of the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by directors (the "Code of Conduct") on terms no less exacting than the required standard of the Model Code as set out in Appendix 10 of the Listing Rules.

Having made specific enquiry, all Directors have confirmed compliance with the Code of Conduct throughout the period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements. The Audit Committee comprises three Independent Non-Executive Directors, namely Mr. Wong Dor Luk, Peter, Mr. Joao Paulo Da Roza and Ms. Chian Yat Ping.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S AND COMPANY'S WEBSITE

The Company's preliminary results announcement for the six months ended September 30, 2008 containing all information required by Appendix 16 of the Listing Rules is published on the website of the Stock Exchange at <http://www.hkex.com.hk> under "Latest Listed Company Information" and the Company's website at <http://www.xpressgroup.com>. The interim report of the Company for the six months ended September 30, 2008 will be dispatched to the shareholders and published on the above website in due course.

By Order of the Board
Xpress Group Limited
Chan Tong Wan
Managing Director

Hong Kong, December 23, 2008

As at the date of this announcement, the Board comprises of the executive directors Mr. Chan Heng Fai, Mr. Chan Tong Wan, Ms. Chan Yoke Keow, Ms. Chan Sook Jin, Mary-ann, Mr. Chan Tung Moe and non-executive director Mr. Fong Kwok Jen as well as independent non-executive directors Mr. Wong Dor Luk, Peter, Mr. Joao Paulo Da Roza and Ms. Chian Yat Ping.