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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

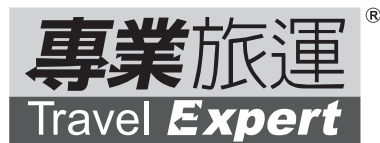
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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in Travel Expert (Asia) Enterprises Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**Travel Expert (Asia) Enterprises Limited**

**專業旅運（亞洲）企業有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1235)**

**VERY SUBSTANTIAL DISPOSAL  
IN RELATION TO THE DISPOSAL OF  
THE ENTIRE ISSUED SHARE OF THE SUBJECT COMPANY  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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Capitalised terms used on this cover page have the same meaning as defined in the section headed “Definitions” in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 3 to 9 of this circular. A notice convening the EGM is set out on pages 48 to 49 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

**PRECAUTIONARY MEASURES FOR THE EGM**

Please refer to page ii of this circular for preventive and control measures at the EGM to minimise the risk of the spread of the Coronavirus Disease 2019 (COVID-19):

- **no beverage, refreshment or corporate gifts**
- **compulsory body temperature checks**
- **every attendee is required to wear an appropriate face mask**

**The Company reminds Shareholders that they may appoint the chairman of the EGM as a proxy to attend and vote at the EGM, instead of attending it in person.**

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## PRECAUTIONARY MEASURES FOR THE EGM

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The Company will implement the following preventive and control measures at the EGM to minimise the risk of the spread of the Coronavirus Disease 2019 (COVID-19):

- (i) no beverage, refreshment or corporate gifts will be served or distributed before, during or after the EGM;
- (ii) compulsory body temperature check will be conducted for every attendee before entering the venue of the EGM, and any attendee with a body temperature higher than 37.3 degree Celsius will not be given access to the meeting venue; and
- (iii) every attendee is required to wear an appropriate face mask at all times during their attendance of the EGM.

The Company reminds Shareholders that they may appoint the chairman of the EGM as his/her/its proxy to attend and vote on the relevant resolution(s) at the EGM instead of attending the EGM in person. For such purpose, please complete and return the proxy form for the EGM accompanying this circular.

If any Shareholder will not attend the EGM in person and has any questions about the resolutions to be considered at the EGM or other matters relating to the Company, Shareholder is welcome to send the questions in writing to the Company's head office and principal place of business in Hong Kong for the attention of the Company Secretary or to our email at [ir@tegroup.com.hk](mailto:ir@tegroup.com.hk).

If any Shareholder has any questions relating to the EGM, please contact Tricor Investor Services Limited, the Company's branch share registrar in Hong Kong, as follows:

Tricor Investor Services Limited  
Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong  
Email: [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com)  
Tel: (852) 2980 1333  
Fax: (852) 2810 8185

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Articles”	the Articles of Association of the Company
“Board”	the board of Directors
“Company”	Travel Expert (Asia) Enterprises Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 1235)
“Completion”	the completion of the Disposal
“Consideration”	the consideration for the Disposal pursuant to the Provisional Agreement, being HK\$74,800,000
“Director(s)”	the director(s) of the Company
“Disposal”	the Disposal of the Sale Share and the Shareholder’s Loan from the Vendor to the Purchaser
“EGM”	the extraordinary general meeting of the Company to be convened and held on 18 September 2020 at 9:30 a.m. for the Shareholders to consider and approve, if thought fit, the Disposal
“Formal Agreement”	the formal agreement to be entered into between the Vendor, the Purchaser and the Company relating to the Disposal
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Latest Practicable Date”	18 August 2020, being the latest practicable date for ascertaining certain information referred to in this circular prior to its printing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property”	Units 1-3, 5-12 on 9th Floor, Kowloon Plaza, No. 485 Castle Peak Road, Kowloon, Hong Kong
“Provisional Agreement”	the provisional agreement for sale and purchase which is a legal binding agreement dated 22 July 2020 entered into between the Vendor, the Purchaser and the Company relating to the Disposal
“Purchaser”	Ace Pride Group Limited, a company incorporated in the British Virgin Islands with limited liability

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## DEFINITIONS

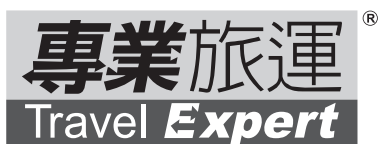
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“Sale Share”	the entire issued share of the Subject Company wholly and beneficially owned by the Vendor
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shareholder’s Loan”	the outstanding amount of the debt due by the Subject Company to the Vendor which was amounted to HK\$39,940,217 as at the date of the Provisional Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Company”	Champion Gate Limited, a company incorporated in Hong Kong with limited liability, and is an indirect wholly-owned subsidiary of the Company, being the legal owner of the Property
“Vendor”	Travel Expert Enterprises Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company
“%”	per cent

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LETTER FROM THE BOARD

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**Travel Expert (Asia) Enterprises Limited**

**專業旅運（亞洲）企業有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1235)**

*Executive Directors:*

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

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

*Independent Non-executive Directors:*

Mr. Mak King Sau

Mr. Szeto Chi Man

Mr. Yung Ha Kuk, Victor

*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:*

Units A-C, 9/F., D2 Place TWO

15 Cheung Shun Street

Lai Chi Kok, Kowloon

Hong Kong

21 August 2020

*To the Shareholders*

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL  
IN RELATION TO THE DISPOSAL OF  
THE ENTIRE ISSUED SHARE OF THE SUBJECT COMPANY**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 23 July 2020 in relation to the Disposal.

On 22 July 2020 (after trading hours), the Purchaser, the Vendor and the Company entered into the Provisional Agreement, which is a legal binding agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Share and Shareholder's Loan of the Subject Company at an aggregate consideration of HK\$74,800,000, subject to the terms and conditions of the Provisional Agreement.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) further information on the transaction contemplated under the Provisional Agreement relating to the Disposal, (ii) other information as required under the Listing Rules and (iii) a notice convening the EGM.

### THE PROVISIONAL AGREEMENT

Date : 22 July 2020

Parties : (1) Travel Expert Enterprises Limited, as Vendor;  
(2) Ace Pride Group Limited, as Purchaser; and  
(3) the Company, as Guarantor

Pursuant to the Provisional Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to purchase the Sale Share and the Shareholder's Loan of the Subject Company at an aggregate consideration of HK\$74,800,000, subject to the terms and conditions thereof.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are independent of the Company and connected persons of the Company (as defined under the Listing Rules).

The Subject Company is the legal and beneficial owner of the Property located at Units 1-3, 5-12 on 9th Floor, Kowloon Plaza, No. 485 Castle Peak Road, Kowloon, Hong Kong with a total saleable area of approximately 762.08 square meter which is held for earning rental income.

The Group has no intention to lease back the Property from the Purchaser upon Completion.

### Consideration

The Consideration for the Disposal is HK\$74,800,000, which was arrived at after arm's length negotiation between the parties with reference to the preliminary value indication of the Property as at 22 July 2020 of HK\$76,000,000.

The Consideration will be/has been settled in the following manner:-

- (a) HK\$3,000,000 was paid by the Purchaser to the Vendor as an initial deposit upon signing of the Provisional Agreement;
- (b) HK\$4,480,000 was paid by the Purchaser to the Vendor's solicitors as a further deposit on 14 August 2020; and
- (c) HK\$67,320,000 being balance of the Consideration will be payable by the Purchaser to the Vendor or the Vendor's solicitors on Completion.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Vendor/the Vendor's solicitors received HK\$7,480,000 from the Purchaser.

Pursuant to the Provisional Agreement, if the aggregate of all current assets of the Subject Company which are readily convertible into cash or cash equivalents including without limitation all rents receivable and provisional tax paid (if any) (excluding the Property, any intangible assets and other fixed assets), less the aggregate of all liabilities (actual, contingent or otherwise but excluding the Shareholder's Loan and any deferred tax liabilities) and tax provisions on rental income calculated up to the Completion as at the Completion as shown in the Pro Forma Accounts (hereinafter defined) is more or less than zero, the balance of the Consideration shall be adjusted upwards or downwards (as the case may be) accordingly in the manner as follows:

- (a) it shall be added to the balance of the Consideration all current assets of the Subject Company as shown in the Pro Forma Accounts (hereinafter defined) including rental receivables (if applicable) (up to and inclusive of the Completion), utilities and other miscellaneous deposits, prepaid rates and government rent, and other expenses relating to the Property (up to but inclusive of the Completion); and
- (b) it shall be deducted from the balance of the Consideration all liabilities of the Subject Company as shown in the Pro Forma Accounts (hereinafter defined) (other than the Shareholder's Loan and any deferred tax liabilities).

The Directors (including the Independent Non-executive Directors) are of the view that the preliminary value indication of the Property as at 22 July 2020 conducted by B.I. Appraisals Limited and the Consideration was fair and reasonable after considering the recent property market conditions in Hong Kong at the time of entering into the Provisional Agreement, and that the value of the Consideration represented a discount of approximately 1.58% to the preliminary valuation. Given that many uncertainties prevail in the Hong Kong and global economies and the unpredictability of the future development of the COVID-19, the Board considers that the Disposal is beneficial to the Group that represents a good opportunity to realize the value of the Property and generates cash to improve the financial conditions of the Group for maintaining its operations.

### **Formal Agreement**

A Formal Agreement for sale and purchase of the Sale Share and the Shareholder's Loan of the Subject Company will be entered into between the Vendor, the Purchaser and the Company at a date to be agreed by the parties.

### **Completion**

Completion is subject to the satisfaction or waiver of the conditions precedent and shall take place at or before 3:00 p.m. on or before 28 October 2020.



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## LETTER FROM THE BOARD

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### Conditions Precedent

Completion of the Disposal is subject to the fulfillment of the following conditions precedent:

- (a) the entering into the Formal Agreement at a date to be agreed by the parties;
- (b) the Purchaser having completed the due diligence investigation on the business, financial, legal and other aspects of the Subject Company and reasonably satisfied with the results thereof;
- (c) the Vendor procure the Subject Company to prove and give a good title to the Property in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong);
- (d) the Vendor shall at its own costs and expense having caused and/or procured the delivery of the pro forma accounts comprising (i) the pro forma income statement of the Subject Company for the period from the beginning of the current financial year and up to the Completion; and (ii) the pro forma statement of financial position of the Subject Company as at Completion (the "Pro Forma Accounts"), for the inspection of the Purchaser at least five (5) working days prior to the Completion;
- (e) all the representations, undertakings and warranties given by the Vendor under the Provisional Agreement and the Formal Agreement are and shall remain true, accurate, correct and complete and not misleading in all material respects up to the Completion;
- (f) the Guarantor having obtained the approval of its majority shareholders on the Disposal and the provision of guarantee by way of ordinary resolution at its general meeting(s) in accordance with applicable rules and regulations on or before the Completion; and
- (g) the Guarantor having obtained any other necessary approval from the Stock Exchange on or before the Completion (if required).

In the event that the Vendor and the Purchaser shall fail to reach an agreement on the terms of the Formal Agreement, the Provisional Agreement shall remain valid and in full and effect and the parties to the Provisional Agreement shall continue to fulfill their respective obligations thereunder.

### Guarantee

The Company, indirectly holding 100% equity interest of the Vendor and being the Vendor's Guarantor, guarantees in favour of the Purchaser (i) the due performance and observance by the Vendor of all its liabilities and obligations under the Provisional Agreement, and (ii) the payment to the Purchaser of all losses, costs, expenses, damages and liabilities which may be suffered or incurred by the Purchaser as a result of any breach by the Vendor of any of the terms of the Provisional Agreement.

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## LETTER FROM THE BOARD

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### INFORMATION OF THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1235). The principal activity of the Company is investment holding and the principal business of the Company's subsidiaries is to provide a one-stop travel management and services offering a wide range of packaged tours, travel packages, products and services.

### INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding. The Purchaser is wholly and beneficially owned by Mr. HUYNH, Valery, a businessman.

### INFORMATION OF THE SUBJECT COMPANY

The Subject Company is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company. The Subject Company is the legal and beneficial owner of the Property.

The Property was held by the Group as investments to earn rentals and for capital appreciation purpose.

The net asset and total assets value of the Subject Company as at 31 March 2020 was approximately HK\$38,272,208 and HK\$78,322,421 respectively.

The financial results of the Subject Company for the two financial years ended 31 March 2020 and 31 March 2019 are as follows:

	<b>For the year ended 31 March</b>	
	<b>2020</b>	<b>2019</b>
	<i>(HK\$)</i>	<i>(HK\$)</i>
Net (loss)/profit before taxation	(1,855,565)	4,638,046
Net (loss)/profit after taxation	(1,855,565)	4,845,877

Upon completion of the Disposal, the Subject Company will no longer be a subsidiary of the Group, and its financial results will no longer be consolidated into the financial statements of the Company.

### REASONS FOR AND BENEFIT OF THE DISPOSAL

Taking into consideration the current financial position and business operation of the Group and the overall economy in Hong Kong, the Board is of the opinion that the Disposal represents a favourable opportunity to realise the value of the Property at a reasonable price and the proceeds from the Disposal will enhance the financial position of the Group and increase the general working capital of the Group.

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## LETTER FROM THE BOARD

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The Directors (including the Independent Non-executive Directors) consider the terms of the Provisional Agreement are on normal commercial terms, which are fair and reasonable and are in the best interests of the Group and its shareholders as a whole.

### **FINANCIAL EFFECT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS**

The carrying value of the Property as at 31 March 2020 was approximately HK\$78,000,000. The Group is expected to record a loss on Disposal of approximately HK\$5,427,000, which is calculated based on the Consideration received by the Group for the Disposal less adjustments on the Consideration and the relevant expenses in relation to the Disposal. It is estimated that the net proceeds from the Disposal would be approximately HK\$72,281,000. The Company intends to use the net proceeds from the Disposal for general working capital of the Group, including payment of general administrative expenses such as salaries and rental, and as cash collateral for banking facilities of the Group.

### **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio for the Company in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal for the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

### **EGM**

The EGM will be convened and held at Units A-C, 9/F., D2 Place TWO, 15 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong on Friday, 18 September 2020 at 9:30 a.m. for the purpose of considering and, if thought fit, approving the Disposal.

Set out on pages 48 to 49 of this circular is a notice convening the EGM to consider and, if appropriate, to approve the ordinary resolution relating to the Disposal. A form of proxy for use by the Shareholders at the EGM or any adjourned meeting is also enclosed herewith.

Whether or not you intend to attend and/or vote at the EGM in person, you are requested to complete the form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, the resolution set out in the notice of the EGM will be voted by poll.

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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholders are required to abstain from voting on the resolution to be proposed at the EGM.

### **BOOK CLOSURE FOR DETERMINING ENTITLEMENTS TO ATTEND AND VOTE AT THE EGM**

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 15 September 2020 to Friday, 18 September 2020, both days inclusive. In order to be eligible to attend and vote at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 14 September 2020.

### **RECOMMENDATION**

The Directors are of the opinion that the Disposal and the transaction contemplated thereunder are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders vote in favour of the ordinary resolution to be proposed at the EGM approving the Disposal and the transaction contemplated thereunder.

### **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of the Board  
**Travel Expert (Asia) Enterprises Limited**  
**Ko Wai Ming, Daniel**  
*Chairman*

**1. FINANCIAL INFORMATION**

The audited consolidated financial statements of the Group for the three financial years ended 31 March 2018, 2019 and 2020 including the independent auditors' report thereon and the notes thereto, have been disclosed in the respective annual reports of the Company. The auditor of the Company has not issued any qualified opinion on the Group's consolidated financial statements for the three financial years ended 31 March 2018, 2019 and 2020. The annual reports of the Company for the three financial years ended 31 March 2018, 2019 and 2020; and the interim report for the six months ended 30 September 2019 are published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<http://www.tegroup.com.hk>) respectively.

The audited financial statements of the Group for the year of 2018 are set out from pages 48 to 103 in the 2018 annual report of the Company which was published on 17 July 2018. The 2018 Annual Report is available on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<http://www.tegroup.com.hk>) and is accessible via the following hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0717/lt20180717247.pdf>

The audited financial statements of the Group for the year of 2019 are set out from pages 42 to 105 in the 2019 annual report of the Company which was published on 16 July 2019. The 2019 Annual Report is available on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<http://www.tegroup.com.hk>) and is accessible via the following hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0716/lt20190716155.pdf>

The audited financial statements of the Group for the year of 2020 are set out from pages 40 to 99 in the 2020 annual report of the Company which was published on 14 July 2020. The 2020 Annual Report is available on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<http://www.tegroup.com.hk>) and is accessible via the following hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0714/2020071400590.pdf>

The 2019 unaudited interim results of the Group are set out from pages 15 to 44 in the 2019 interim report of the Company which was published on 12 December 2019. The 2019 Interim Report is available on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<http://www.tegroup.com.hk>) and is accessible via the following hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1212/2019121200502.pdf>

**2. STATEMENT OF INDEBTEDNESS OF THE GROUP AS AT 30 JUNE 2020**

At the close of business on 30 June 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the publication of this circular, the Group had the following indebtedness:

**(a) Bank Borrowing**

As at 30 June 2020, the Group had bank borrowing of approximately HK\$2,802,000 with a repayable on demand clause, which was secured by certain investment properties and leasehold land and buildings of the Group and was guaranteed by the Company. The interest rate of such bank borrowing was at a floating rate of 3.1% per annum below Hong Kong Dollar prime.

**(b) Banking Facilities**

As at 30 June 2020, the Group's banking facilities are approximately HK\$124,752,000 with approximately HK\$23,934,000 being utilised. The Group's banking facilities were secured by:

- (i) pledges over certain of the Group's leasehold land and buildings;
- (ii) pledges over the Group's investment properties;
- (iii) pledges over certain of the Group's time deposits; and
- (iv) corporate guarantee or cross-guarantee provided by the Group and/or certain subsidiaries.

**(c) Lease Liabilities**

The Group leases certain properties and office equipment in Hong Kong and the PRC. As at 30 June 2020, the Group, as a lessee, had an aggregate lease liabilities of approximately HK\$17,618,000 under HKFRS 16 in respect of non-cancellable operating lease contracts.

**(d) General**

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 30 June 2020, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities outstanding.

The Directors have confirmed that there have not been any material changes in the Group's indebtedness since 30 June 2020.

### 3. DIRECTORS' STATEMENT OF SUFFICIENT OF WORKING CAPITAL

As set out in the consolidated financial statements of the Group for the year ended 31 March 2020, the Group recorded a loss for the year of approximately HK\$45,061,000 and operating cash outflows of approximately HK\$63,266,000 during the year ended 31 March 2020 and had net current liabilities of approximately HK\$1,043,000 as at 31 March 2020.

The Group has been operating under an intensely competitive environment due to the emerging of the online travel and booking agencies over the past few years. Following the outbreak of the Coronavirus Disease 2019 (“**COVID-19**”) in January 2020, precautionary and control measures have since been implemented in various countries, which included entry restrictions and quarantine measures over international travel.

In view of these circumstances and the net current liabilities position of the Group, the management has been continuously implementing measures to control operating costs and improve the Group's liquidity and financial position.

These measures include (i) controlling operating expenditures by downsizing its operations including optimisation of the branch network by closure of under-performed branches, reallocation of workforce in relation to different sale channels, reducing related costs such as rental expenses and staff costs; (ii) negotiating with landlords for rental reductions; (iii) applying for the COVID-19 related subsidies applicable to the Group's companies, including, after considering the effect of staff costs reduction, wages subsidies under the Employment Support Scheme launched by The Government of the Hong Kong Special Administrative Region; and (iv) plans to realise certain non-current assets of the Group, including the disposal of an investment property for a cash consideration of HK\$28,000,000 (see details in the circular dated 31 July 2020 published by the Company) and the Disposal.

The Directors have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from the date of this circular. Based on the different possible outcomes of the evolution of the COVID-19 pandemic and future development of the travel agency industry, management has prepared the projections that include key assumptions with regard to the anticipated cash flows from the Group's operations, capital expenditures, the COVID-19 related subsidies, plans for the realisation of certain non-current assets as mentioned above.

The Directors, after making due and careful enquiry and considering the basis of management's projections described above and after taking into account the reasonably possible changes in the operational performance, believe that the Group after completion of the Disposal will have sufficient financial resources for its normal business operation for at least the next twelve months from the date of publication of this circular, in the absence of unforeseeable circumstances.

#### 4. FINANCIAL AND TRADING PROSPECTS

The Company is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1235). The principal activity of the Company is investment holding and the principal business of the Company's subsidiaries is to provide a one-stop travel management and services offering a wide range of packaged tours, travel packages, products and services.

The business environment is expected to be more challenging than ever as many uncertainties continue to prevail in the Hong Kong and global economies, such as the global spreading of COVID-19. As the speed of recovery and the extent of long-term impact of the epidemic cannot be predicted accurately at present, the Group's future operation, finance performance, cash flows and financial position may be materially impacted by the further development of the epidemic. Nevertheless, the Group will continue to keep track of the epidemic development and react proactively to its possible impact on the performance of the Group.

The Group will continue to make efforts in implementing cost control measures that including downsizing the branch network, reducing staff costs and negotiating with landlords for rental reduction. The Group will also continue to manage our finance prudently and will use its utmost efforts to maintain the Group's operation and preserve working capital to meet its business needs.

#### 5. RECONCILIATION OF VALUATION OF THE PROPERTY

B.I. Appraisals Limited, an independent qualified professional valuer, has valued the Property as at 22 July 2020. Details of the valuation report are set out in Appendix V to this circular. As required under Rule 5.07 of the Listing Rules, the reconciliation between valuation of the Property as at 22 July 2020 and the book value of the Property as at 31 March 2020 is as follows:

	<i>HK\$'000</i>
Book value as at 31 March 2020	78,000
Additions	110
Valuation deficit	<u>(2,110)</u>
Valuation as at 22 July 2020	<u><u>76,000</u></u>

#### 6. MATERIAL ADVERSE CHANGE

Save as disclosed above, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 March 2020, being the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.



Set out below are the unaudited statements of financial position of the Subject Company as at 31 March 2018, 2019 and 2020 and the unaudited statements of comprehensive income, the unaudited statements of changes in equity and the unaudited statements of cash flows of the Subject Company for the years ended 31 March 2018, 2019 and 2020 (the “**Relevant Periods**”), and explanatory notes (collectively referred to as the “**Financial Information**”).

The Financial Information has been prepared on the basis set out in note 2 below and is prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules. The Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular in connection with the Disposal.

The Company’s auditor, BDO Limited, was engaged to review the 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” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion. The auditor has included an emphasis of matter – Material uncertainty related to going concern paragraph in the review report which states that:

“Without qualifying our conclusion, we draw attention to note 2 to the financial information which indicates that the Subject Company incurred a net loss of approximately HK\$1,856,000 during the year ended 31 March 2020 and, as of that date, the Subject Company’s current liabilities exceeded its current assets by approximately HK\$39,730,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Subject Company’s ability to continue as a going concern.”

## UNAUDITED STATEMENTS OF FINANCIAL POSITION

As at 31 March 2018, 2019 and 2020

	Note	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment		2	–	–
Investment properties	3	78,000	80,000	71,800
Deposits		<u>–</u>	<u>–</u>	<u>68</u>
		<u>78,002</u>	<u>80,000</u>	<u>71,868</u>
<b>Current assets</b>				
Prepayments and deposits		169	152	105
Prepaid tax		24	24	183
Cash and cash equivalents		<u>127</u>	<u>260</u>	<u>67</u>
		<u>320</u>	<u>436</u>	<u>355</u>
<b>Current liabilities</b>				
Accrued charges, deposits received and other payables		433	305	4
Amount due to the ultimate holding company		–	–	589
Amount due to the immediate holding company		39,381	36,820	35,960
Amounts due to fellow subsidiaries		<u>236</u>	<u>3,183</u>	<u>180</u>
		<u>40,050</u>	<u>40,308</u>	<u>36,733</u>
<b>Net current liabilities</b>		<u>(39,730)</u>	<u>(39,872)</u>	<u>(36,378)</u>
<b>Total assets less current liabilities</b>		<u>38,272</u>	<u>40,128</u>	<u>35,490</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities		<u>–</u>	<u>–</u>	<u>208</u>
<b>Net assets</b>		<u>38,272</u>	<u>40,128</u>	<u>35,282</u>
<b>EQUITY</b>				
Share capital		–*	–*	–*
Retained profits		<u>38,272</u>	<u>40,128</u>	<u>35,282</u>
<b>Total equity</b>		<u>38,272</u>	<u>40,128</u>	<u>35,282</u>

\* Less than HK\$1,000

## UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended 31 March 2018, 2019 and 2020

	Note	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
<b>Revenue</b>		1,237	–	2,070
Other income		12	–	–
Changes in fair value of investment properties	3	(2,023)	5,984	(2,200)
Impairment loss on amount due from a fellow subsidiary		(55)	–	–
Administrative expenses		<u>(1,027)</u>	<u>(1,346)</u>	<u>(399)</u>
<b>(Loss)/profit from operations</b>		(1,856)	4,638	(529)
Finance costs		<u>–</u>	<u>–</u>	<u>(892)</u>
<b>(Loss)/profit before income tax</b>		(1,856)	4,638	(1,421)
Income tax credit/(expense)		<u>–</u>	<u>208</u>	<u>(43)</u>
<b>(Loss)/profit and total comprehensive income for the year</b>		<u><u>(1,856)</u></u>	<u><u>4,846</u></u>	<u><u>(1,464)</u></u>

## UNAUDITED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 March 2018, 2019 and 2020

	Share capital HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2017	–*	36,746	36,746
Loss and total comprehensive income for the year	<u>–</u>	<u>(1,464)</u>	<u>(1,464)</u>
At 31 March 2018 and 1 April 2018	–*	35,282	35,282
Profit and total comprehensive income for the year	<u>–</u>	<u>4,846</u>	<u>4,846</u>
At 31 March 2019 and 1 April 2019	–*	40,128	40,128
Loss and total comprehensive income for the year	<u>–</u>	<u>(1,856)</u>	<u>(1,856)</u>
At 31 March 2020	<u><u>–*</u></u>	<u><u>38,272</u></u>	<u><u>38,272</u></u>

\* Less than HK\$1,000

## UNAUDITED STATEMENTS OF CASH FLOWS

For the years ended 31 March 2018, 2019 and 2020

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	<b>2019</b> <i>HK\$'000</i>	<b>2018</b> <i>HK\$'000</i>
<b>Cash flows from operating activities</b>				
(Loss)/profit before income tax		(1,856)	4,638	(1,421)
Adjustments for:				
Interest expenses		–	–	892
Impairment loss on amount due from a fellow subsidiary		55	–	–
Depreciation of property, plant and equipment		2	–	–
Changes in fair value of investment properties	3	<u>2,023</u>	<u>(5,984)</u>	<u>2,200</u>
<b>Operating profit/(loss) before working capital changes</b>				
		224	(1,346)	1,671
(Increase)/decrease in prepayments and deposits		(17)	21	(68)
Decrease in amounts due from fellow subsidiaries		–	–	4,283
Increase in accrued charges, deposits received and other payables		<u>128</u>	<u>301</u>	<u>–</u>
<b>Cash generated from/(used in) operations</b>				
		335	(1,024)	5,886
Income tax refunded/(paid)		<u>–</u>	<u>159</u>	<u>(244)</u>
<b>Net cash generated from/(used in) operating activities</b>				
		<u>335</u>	<u>(865)</u>	<u>5,642</u>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(4)	–	–
Additions to investment properties	3	(23)	(2,216)	–
Increase in amount due from a fellow subsidiary		<u>(55)</u>	<u>–</u>	<u>–</u>
<b>Net cash used in investing activities</b>				
		<u>(82)</u>	<u>(2,216)</u>	<u>–</u>

	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
<b>Cash flows from financing activities</b>			
Repayment of bank borrowing	–	–	(780)
Decrease in amount due to the ultimate holding company	–	(589)	(65)
Repayment of loan from the ultimate holding company	–	–	(40,000)
Increase in amount due to the immediate holding company	2,561	860	35,938
(Decrease)/increase in amounts due to fellow subsidiaries	(2,947)	3,003	180
Interest paid	<u>–</u>	<u>–</u>	<u>(892)</u>
<b>Net cash (used in)/generated from financing activities</b>	<u>(386)</u>	<u>3,274</u>	<u>(5,619)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(133)	193	23
<b>Cash and cash equivalents at beginning of the year</b>	<u>260</u>	<u>67</u>	<u>44</u>
<b>Cash and cash equivalents at end of the year</b>			
representing cash and bank balances	<u><u>127</u></u>	<u><u>260</u></u>	<u><u>67</u></u>

## NOTES TO THE FINANCIAL INFORMATION OF THE SUBJECT COMPANY

### 1. General Information

The Subject Company is a limited liability company incorporated and domiciled in Hong Kong. The Subject Company's immediate holding company is the Vendor and its ultimate holding company is the Company.

The Subject Company is engaged in property holding during the Relevant Periods.

On 22 July 2020, the Purchaser, the Vendor and the Company entered into the Provisional Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the entire issued share capital of the Subject Company and right to all debts owing by the Subject Company to the Vendor at an aggregate consideration of HK\$74,800,000, subject to the terms and conditions of the Provisional Agreement; and (ii) the Company agreed to guarantee the performance of all obligations by the Vendor under the Provisional Agreement.

The Financial Information contained in this circular does not constitute the Subject Company's statutory financial statements for any of the Relevant Periods. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (the "Companies Ordinance") is as follows:

As the Subject Company is a private company, the Subject Company is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Subject Company's auditor has reported on the financial statements for the Relevant Periods. The auditor's reports for the years ended 31 March 2018 and 2019 were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance. The auditor's report for the year ended 31 March 2020 was unqualified, include a material uncertainty related to going concern section without qualifying its report; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

This Financial Information is presented in Hong Kong Dollar ("HK\$"), which is the same as the functional currency of the Subject Company. All values are rounded to the nearest thousand (HK\$'000) except otherwise indicated.

## **2. Basis of Preparation of the Financial Information**

The Financial Information of the Subject Company has been prepared in accordance with the accounting policies adopted by the Company as shown in its annual report for the Relevant Periods, and paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules. The Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular.

The Financial Information has been prepared under the historical cost except for investment properties which are stated at fair value.

The Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA.

The Subject Company incurred a net loss of approximately HK\$1,856,000 during the year ended 31 March 2020 and, as of that date, the Subject Company's current liabilities exceeded its current assets by approximately HK\$39,730,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Subject Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Company has confirmed its intention to provide sufficient financial support to the Subject Company so as to enable the Subject Company to meet all its liabilities and obligations as and when they fall due and to enable the Subject Company to continue its business for the twelve months after 31 March 2020 if the Disposal is not completed, and to the date of Completion if the Disposal is completed.

According to the Provisional Agreement, as part of the Consideration, the right to all debts owing by the Subject Company to the Vendor will be assigned to the Purchaser upon Completion. The Directors expect that, if the Disposal is completed, the Purchaser will not demand for repayment of the amount due by the Subject Company to the Purchaser from the date of Completion up to 31 March 2021 so as to enable the Subject Company to continue its business as a going concern.

Consequently, the Financial Information of the Subject Company has been prepared on a going concern basis.

### 3. Investment Properties

	Year ended 31 March		
	2020	2019	2018
	HK\$'000	HK\$'000	HK\$'000
At beginning of the year	80,000	71,800	74,000
Additions	23	2,216	–
Changes in fair value of investment properties	<u>(2,023)</u>	<u>5,984</u>	<u>(2,200)</u>
At end of the year	<u>78,000</u>	<u>80,000</u>	<u>71,800</u>

The investment properties represent property interests held under operating leases to earn rentals or for capital appreciation purposes.

At 31 March 2018 and 2020, all investment properties were pledged to secure banking facilities granted to the Group.

### 4. Related Party Transactions

The Subject Company had the following material related party transactions:

	Year ended 31 March		
	2020	2019	2018
	HK\$'000	HK\$'000	HK\$'000
Rental income received from fellow subsidiaries	–	–	2,070
Interest expense on loan from the ultimate holding company	–	–	880
Management fee charged by a fellow subsidiary	<u>180</u>	<u>180</u>	<u>330</u>

The terms of the above transactions are mutually agreed by the parties.

## UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

**Introduction**

The following is an illustrative and unaudited pro forma financial information of the Group excluding the Subject Company (the “**Remaining Group**”) (the “**Unaudited Pro Forma Financial Information**”), comprising the unaudited pro forma consolidated statement of financial position as at 31 March 2020, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2020 of the Remaining Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Disposal as if the Disposal had been completed on 31 March 2020 for the unaudited pro forma consolidated statement of financial position, and on 1 April 2019 for the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2020 as extracted from the published annual report of the Group for the year ended 31 March 2020 after making pro forma adjustments relating to the Disposal that are factually supportable and directly attributable to the Disposal as set out below.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2020 as extracted from the published audited report of the Group for the year ended 31 March 2020 after making pro forma adjustments relating to the Disposal that are factually supportable and directly attributable to the Disposal as set out below.

The Unaudited Pro Forma Financial Information has been prepared by the Directors in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group as at 31 March 2020 or any future date, or the financial performance and cash flows of the Remaining Group for year ended 31 March 2020 or for any future period.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Group for the year ended 31 March 2020 and other financial information included elsewhere in this circular.



UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
OF THE REMAINING GROUP

As at 31 March 2020

	The	Pro forma adjustments			The
	Group	HK\$'000	HK\$'000	HK\$'000	Remaining
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Group
	Note 1	Note 2	Note 4	Note 6	HK\$'000
<b>Non-current assets</b>					
Property, plant and equipment	20,718	(2)	–	–	20,716
Investment properties	84,900	(78,000)	–	–	6,900
Interests in associates	8,369	–	–	–	8,369
Deposits	3,389	–	–	–	3,389
	<u>117,376</u>	<u>(78,002)</u>	<u>–</u>	<u>–</u>	<u>39,374</u>
<b>Current assets</b>					
Inventories	3,462	–	–	–	3,462
Trade receivables	2,199	–	–	–	2,199
Prepayments, deposits and other receivables	29,022	(169)	–	–	28,853
Lease receivables	881	–	–	–	881
Amount due from an associate	135	–	–	–	135
Amount due from the Subject Company	–	–	–	236	236
Prepaid tax	102	(24)	–	–	78
Pledged deposits	1,630	–	–	–	1,630
Cash and cash equivalents	44,124	(127)	–	72,281	116,278
	<u>81,555</u>	<u>(320)</u>	<u>–</u>	<u>72,517</u>	<u>153,752</u>
<b>Current liabilities</b>					
Trade payables	18,587	–	–	–	18,587
Accrued charges, deposits received and other payables	27,910	(433)	–	–	27,477
Contract liabilities	13,661	–	–	–	13,661
Amounts due to associates	219	–	–	–	219
Amounts due to the Remaining Group	–	(39,617)	–	39,617	–
Amount due to the Subject Company	–	–	55	–	55
Bank borrowings	2,926	–	–	–	2,926
Lease liabilities	18,782	–	–	–	18,782
Provision for tax	513	–	–	–	513
	<u>82,598</u>	<u>(40,050)</u>	<u>55</u>	<u>39,617</u>	<u>82,220</u>
<b>Net current (liabilities)/assets</b>	<u>(1,043)</u>	<u>39,730</u>	<u>(55)</u>	<u>32,900</u>	<u>71,532</u>
<b>Total assets less current liabilities</b>	<u>116,333</u>	<u>(38,272)</u>	<u>(55)</u>	<u>32,900</u>	<u>110,906</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities	51	–	–	–	51
Lease liabilities	5,251	–	–	–	5,251
	<u>5,302</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,302</u>
<b>Net assets</b>	<u>111,031</u>	<u>(38,272)</u>	<u>(55)</u>	<u>32,900</u>	<u>105,604</u>

## APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP

	<b>The Group</b>	<b>Pro forma adjustments</b>			<b>The Remaining Group</b>
	<i>HK\$'000</i> <i>Note 1</i>	<i>HK\$'000</i> <i>Note 2</i>	<i>HK\$'000</i> <i>Note 4</i>	<i>HK\$'000</i> <i>Note 6</i>	<i>HK\$'000</i>
<b>Equity attributable to owners of the Company</b>					
Share capital	5,099	–	–	–	5,099
Reserves	<u>105,752</u>	<u>(38,272)</u>	<u>(55)</u>	<u>32,900</u>	<u>100,325</u>
Non-controlling interests	110,851	(38,272)	(55)	32,900	105,424
	<u>180</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>180</u>
<b>Total equity</b>	<u><u>111,031</u></u>	<u><u>(38,272)</u></u>	<u><u>(55)</u></u>	<u><u>32,900</u></u>	<u><u>105,604</u></u>

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME OF THE REMAINING GROUP

For the year ended 31 March 2020

	The		Pro forma adjustments			The
	Group					Remaining
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Group
	Note 1	Note 3	Note 4	Note 5	Note 7	HK\$'000
<b>Revenue</b>	287,164	(1,237)	–	–	–	285,927
Cost of sales	<u>(122,851)</u>	–	–	–	–	<u>(122,851)</u>
<b>Gross profit</b>	164,313	(1,237)	–	–	–	163,076
Other income and gains	13,917	(12)	–	180	–	14,085
Changes in fair value of investment properties	(3,923)	2,023	–	–	–	(1,900)
Selling and distribution costs	(132,661)	–	–	–	–	(132,661)
Administrative expenses	(83,031)	1,082	(55)	(180)	–	(82,184)
Share of losses of associates	(1,521)	–	–	–	–	(1,521)
Loss on the Disposal	–	–	–	–	(7,425)	(7,425)
Loss on disposal of financial assets/ liabilities at fair value through profit or loss	<u>(293)</u>	–	–	–	–	<u>(293)</u>
<b>Loss from operations</b>	(43,199)	1,856	(55)	–	(7,425)	(48,823)
Finance costs	<u>(1,673)</u>	–	–	–	–	<u>(1,673)</u>
<b>Loss before income tax</b>	(44,872)	1,856	(55)	–	(7,425)	(50,496)
Income tax expense	<u>(189)</u>	–	–	–	–	<u>(189)</u>
<b>Loss for the year</b>	<u>(45,061)</u>	<u>1,856</u>	<u>(55)</u>	–	<u>(7,425)</u>	<u>(50,685)</u>
<b>Other comprehensive income</b>						
Item that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of overseas subsidiary	<u>(309)</u>	–	–	–	–	<u>(309)</u>
<b>Other comprehensive income for the year</b>	<u>(309)</u>	–	–	–	–	<u>(309)</u>
<b>Total comprehensive income for the year</b>	<u>(45,370)</u>	<u>1,856</u>	<u>(55)</u>	–	<u>(7,425)</u>	<u>(50,994)</u>

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE  
REMAINING GROUP

For the year ended 31 March 2020

	The		Pro forma adjustments			The
	Group					Remaining
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Group
	Note 1	Note 3	Note 4	Note 5	Note 7	HK\$'000
<b>Cash flows from operating activities</b>						
Loss before income tax	(44,872)	1,856	(55)	–	(7,425)	(50,496)
Adjustments for:						
Interest income	(1,764)	–	–	–	–	(1,764)
Financial income on the net investment in a sub-lease agreement	(68)	–	–	–	–	(68)
Impairment loss on amount due from a fellow subsidiary	–	(55)	55	–	–	–
Changes in fair value of investment properties	3,923	(2,023)	–	–	–	1,900
Share of losses of associates	1,521	–	–	–	–	1,521
Depreciation of property, plant and equipment	29,097	(2)	–	–	–	29,095
Loss on disposal of property, plant and equipment	369	–	–	–	–	369
Impairment loss on property, plant and equipment	21,772	–	–	–	–	21,772
Loss on the Disposal	–	–	–	–	7,425	7,425
Impairment loss on interest in an associate	874	–	–	–	–	874
Interest expenses	1,673	–	–	–	–	1,673
Loss on disposal of financial assets/ liabilities at fair value through profit or loss	293	–	–	–	–	293
<b>Operating profit before working capital changes</b>	<b>12,818</b>	<b>(224)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>12,594</b>

## APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP

	The Group		Pro forma adjustments		The Remaining Group	
	HK\$'000 Note 1	HK\$'000 Note 3	HK\$'000 Note 4	HK\$'000 Note 5	HK\$'000 Note 7	HK\$'000
<b>Operating profit before working capital changes</b>	12,818	(224)	–	–	–	12,594
Decrease in inventories	254	–	–	–	–	254
Decrease in trade receivables	3,512	–	–	–	–	3,512
Decrease in prepayments, deposits and other receivables	4,049	17	–	–	–	4,066
Decrease in trade payables	(70,527)	–	–	–	–	(70,527)
Decrease in accrued charges, deposits received and other payables	(4,253)	(128)	–	–	–	(4,381)
Decrease in contract liabilities	(20,148)	–	–	–	–	(20,148)
Net proceeds of disposal of financial assets/liabilities at fair value through profit or loss	120,777	–	–	–	–	120,777
Purchases of financial assets/liabilities at fair value through profit or loss	(107,606)	–	–	–	–	(107,606)
Decrease in amounts due to associates	(2,386)	–	–	–	–	(2,386)
<b>Cash used in operations</b>	(63,510)	(335)	–	–	–	(63,845)
Income tax paid	(548)	–	–	–	–	(548)
Income tax refund	792	–	–	–	–	792
<b>Net cash used in operating activities</b>	(63,266)	(335)	–	–	–	(63,601)
<b>Cash flows from investing activities</b>						
Purchases of property, plant and equipment	(1,852)	4	–	–	–	(1,848)
Additions to investment properties	(23)	23	–	–	–	–
Proceeds from disposal of property, plant and equipment	38	–	–	–	–	38
Net proceeds from the Disposal	–	–	–	–	69,523	69,523
Expenditure incurred for right-of-use assets	(26)	–	–	–	–	(26)
Receipt from lease receivable	1,339	–	–	–	–	1,339
Net change in balances with associates	221	–	–	–	–	221
Dividend income	126	–	–	–	–	126
Decrease in pledged deposits	20,959	–	–	–	–	20,959
Decrease in time deposits with an original maturity of more than three months	30,000	–	–	–	–	30,000
Interest received	1,764	–	–	–	–	1,764
Increase in amount due from a fellow subsidiary	–	55	–	(55)	–	–
<b>Net cash generated from investing activities</b>	52,546	82	–	(55)	69,523	122,096

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP**

	<b>The Group</b>		<b>Pro forma adjustments</b>		<b>The Remaining Group</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 3</i>	<i>Note 4</i>	<i>Note 5</i>	<i>Note 7</i>	
<b>Cash flows from financing activities</b>						
Dividends paid	(10,197)	–	–	–	–	(10,197)
Settlement of lease liabilities	(24,739)	–	–	–	–	(24,739)
Repayments of bank borrowings	(486)	–	–	–	–	(486)
Interest paid	(1,673)	–	–	–	–	(1,673)
Advances from the Subject Company	–	–	–	441	–	441
Decrease in amounts due from fellow subsidiaries	–	(2,561)	–	2,561	–	–
Advances from/(repayments to) the Remaining Group	–	2,947	–	(2,947)	–	–
–	–	–	–	–	–	–
<b>Net cash used in financing activities</b>	<u>(37,095)</u>	<u>386</u>	<u>–</u>	<u>55</u>	<u>–</u>	<u>(36,654)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(47,815)	133	–	–	69,523	21,841
<b>Cash and cash equivalents at beginning of year</b>	92,177	(260)	–	–	–	91,917
Effect of foreign exchange rate changes	(238)	–	–	–	–	(238)
<b>Cash and cash equivalents at end of year</b>	<u>44,124</u>	<u>(127)</u>	<u>–</u>	<u>–</u>	<u>69,523</u>	<u>113,520</u>

**Notes:**

- (1) The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 March 2020, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2020 as set out in the annual report of the Company for the year ended 31 March 2020, which is referred to in section 1 of Appendix I to this circular.
- (2) These adjustments represent the exclusion of assets and liabilities of the Subject Company to be disposed of as at 31 March 2020 assuming the Disposal was completed on 31 March 2020. The amounts have been extracted from the unaudited financial information of the Subject Company as at 31 March 2020 as set forth in Appendix II of this circular.
- (3) These adjustments represent the exclusion of the results and cash flows of the Subject Company to be disposed of for the year ended 31 March 2020 assuming the Disposal was completed on 1 April 2019. The amounts have been extracted from the unaudited financial information of the Subject Company for the year ended 31 March 2020 as set forth in Appendix II of this circular.
- (4) The adjustment represents the reversal of impairment loss in respect of an amount due from the Remaining Group reinstated in note (6)(iii) below amounting to HK\$55,000 recognised by the Subject Company during the year ended 31 March 2020.
- (5) The adjustments represent the reinstatement of transactions and cash flows between the Subject Company and the Remaining Group and previously being eliminated in the financial performance and cash flows of the Group during the year ended 31 March 2020.

- (6) These adjustments represent the estimated loss on the Disposal and estimated cash flow from the Disposal as if the Disposal had been completed on 31 March 2020 and assume the Consideration is satisfied in cash in the amount as shown below:

	<i>Notes</i>	<i>HK\$'000</i>
Consideration		74,800
Less: Adjustments on the Consideration	<i>(i)</i>	(294)
Less: Estimated transaction costs directly attributable to the Disposal	<i>(ii)</i>	<u>(2,225)</u>
<b>Net cash proceeds from the Disposal</b>		<b>72,281</b>
Less: Net assets of the Subject Company to be disposed of	<i>(iii)</i>	(38,327)
Less: Shareholder's Loan due from the Subject Company to be disposed of	<i>(iv)</i>	<u>(39,381)</u>
<b>Estimated loss on the Disposal</b>		<b><u>(5,427)</u></b>

- (i) The amount represents the adjustments on the Consideration in accordance with the Provisional Agreement which are calculated by adding all current assets of the Subject Company to the Consideration and deducting all liabilities of the Subject Company (other than the Shareholder's Loan and any deferred tax liabilities) from the Consideration.

	<i>HK\$'000</i>
Add: Amount due from a fellow subsidiary	55
Add: Prepayments and deposits	169
Add: Prepaid tax	24
Add: Cash and cash equivalents	127
Less: Accrued charges, deposits received and other payables	(433)
Less: Amounts due to fellow subsidiaries	<u>(236)</u>
	<u>(294)</u>

- (ii) The amount represents transaction costs directly attributable to the Disposal which are estimated to be approximately HK\$2,225,000 and it is assumed that the fees would be settled by cash.

- (iii) Net assets of the Subject Company to be disposed of representing:

	<i>HK\$'000</i>
Net assets of the Subject Company as at 31 March 2020 as set forth in Appendix II of this circular	38,272
Add: Reversal of impairment loss in respect of an amount due from the Remaining Group as mentioned in note 4 above	<u>55</u>
	<u>38,327</u>

- (iv) The amount represents the Shareholder's Loan due from the Subject Company to be disposed of in accordance with the Provisional Agreement.

The actual amounts of the adjusted Consideration and the gain/loss on the Disposal can only be determined at Completion, which may be substantially different from the estimated amounts used in the preparation of the Unaudited Pro Forma Financial Information.

- (7) These adjustments represent the estimated loss on the Disposal and estimated cash flow from the Disposal as if the Disposal had been completed on 1 April 2019 and assume the Consideration is satisfied in cash in the amount as shown below:

	<i>Notes</i>	<i>HK\$'000</i>
Consideration		74,800
Less: Adjustments on the Consideration	<i>(i)</i>	(3,052)
Less: Estimated transaction costs directly attributable to the Disposal	<i>(ii)</i>	<u>(2,225)</u>
<b>Net cash proceeds from the Disposal</b>		69,523
Less: Net assets of the Subject Company to be disposed of		(40,128)
Less: Shareholder's Loan due from the Subject Company to be disposed of	<i>(iii)</i>	<u>(36,820)</u>
<b>Estimated loss on the Disposal</b>		<u><u>(7,425)</u></u>

- (i) The amount represents the adjustments on the Consideration in accordance with the Provisional Agreement which are calculated by adding all current assets of the Subject Company to the Consideration and deducting all liabilities of the Subject Company (other than the Shareholder's Loan and any deferred tax liabilities) from the Consideration.

	<i>HK\$'000</i>
Add: Prepayments and deposits	152
Add: Prepaid tax	24
Add: Cash and cash equivalents	260
Less: Accrued charges, deposits received and other payables	(305)
Less: Amounts due to fellow subsidiaries	<u>(3,183)</u>
	<u><u>(3,052)</u></u>

- (ii) The amount represents transaction costs directly attributable to the Disposal which are estimated to be approximately HK\$2,225,000 and it is assumed that the fees would be settled by cash.

- (iii) The amount represents the Shareholder's Loan due from the Subject Company to be disposed of in accordance with the Provisional Agreement.

The actual amounts of the adjusted Consideration and the gain/loss on the Disposal can only be determined at Completion, which may be substantially different from the estimated amounts used in the preparation of the Unaudited Pro Forma Financial Information.

- (8) The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group and the unaudited pro forma consolidated statement of cash flows of the Remaining Group.
- (9) Other than set out above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2020.



The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong.



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## INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

### *To the directors of Travel Expert (Asia) Enterprises Limited*

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Travel Expert (Asia) Enterprises Limited (the "Company") and its subsidiaries (together the "Group") excluding Champion Gate Limited (the "Subject Company") (collectively the "Remaining Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 March 2020, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2020, and related notes as set out on pages 21 to 29 of Appendix III of the Company's circular dated 21 August 2020 (the "Circular") in connection with the proposed disposal of the Subject Company (the "Proposed Transaction"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on page 21 of Appendix III of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Transaction on the Group's consolidated financial position as at 31 March 2020 and the Group's financial performance and cash flows for the year ended 31 March 2020 as if the Proposed Transaction had taken place at 31 March 2020 and 1 April 2019 respectively. As part of this process, information about the Group's consolidated financial position, consolidated financial performance and consolidated cash flows has been extracted by the directors of the Company from the Group's consolidated financial statements for the year ended 31 March 2020, on which an auditor's report has been published.

### *Directors' responsibility for the Unaudited Pro Forma Financial Information*

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

***Our Independence and Quality Control***

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

***Reporting accountants’ responsibility***

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Transaction at 31 March 2020 and 1 April 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Opinion***

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**BDO Limited**

*Certified Public Accountants*

Hong Kong, 21 August 2020

Following the Disposal, the Subject Company will cease to be a subsidiary of the Company and the Group will continue to carry out its existing business. Set out below is the management discussion and analysis of the Group for the years ended 31 March 2018, 2019 and 2020.

#### **LIQUIDITY AND GEARING RATIO**

The Group generally finances its liquidity requirements through internally generated resources and will only finance with available banking facilities whenever necessary. For the years ended 31 March 2018 and 2019, the Group had the net assets value of HK\$160.0 million and HK\$166.6 million respectively. For the year ended 31 March 2020, the Group had a significant operating cash outflow of approximately HK\$63.3 million and the net assets value of HK\$111.0 million.

As at 31 March 2018, 2019 and 2020, the gearing ratio (interest-bearing borrowings divided by total equity) was 13.5%, 2.0% and 2.6% respectively.

#### **FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 March 2018, in addition to an investment property classified as asset held for sale with fair value at HK\$56.0 million, the Group held a portfolio of financial assets at fair value through profit and loss at around HK\$12.3 million.

As at 31 March 2019, in addition to investment properties of HK\$88.8 million, the Group held a portfolio of financial assets at fair value through profit and loss at around HK\$13.7 million.

As at 31 March 2020, the Group had investment properties of HK\$84.9 million and the Group had not held a portfolio of financial assets at fair value through profit or loss. To improve the liquidity and financial position, the management has been implementing various measures to reduce operating costs and identifying opportunities to realise certain non-current assets of the Group.

#### **BANK BALANCES AND CASH**

As at 31 March 2018, 2019 and 2020, the cash and cash equivalents of the Group was HK\$126.0 million, HK\$122.2 million and HK\$44.1 million respectively.

#### **BANK BORROWINGS AND PLEDGE ON ASSETS**

As at 31 March 2018 and 2019, the Group had outstanding bank loans amounting in total HK\$21.7 million and HK\$3.4 million respectively, which were repayable on demand and secured by the Group's land and building and an investment property classified as asset held for sale.

As at 31 March 2020, the Group had outstanding bank loans amounting in total of HK\$2.9 million, which were repayable on demand and secured by the Group's leasehold land and buildings and investment properties.

#### **FOREIGN EXCHANGE RISKS AND TREASURY POLICIES**

The Group has foreign currency exposures that mainly arise from the balance of assets and liabilities in currencies other than in Hong Kong dollar, the Group's functional currency. The Group's policy requires the management to monitor the Group's foreign exchange exposure by closely monitoring the movement of foreign currency rates. The management may purchase foreign currency at spot rate, when and where appropriate for the purpose of meeting the Group's future payment obligation in foreign currency. The Group may use more financial tools such as foreign exchange forward contracts and currency futures etc. to manage the foreign exchange risks.

For the year ended 31 March 2018, a net foreign exchange gain of approximately HK\$1.6 million was recorded. For the year ended 31 March 2019, a net foreign exchange loss of approximately HK\$71,000 was recorded. For the year ended 31 March 2020, a net foreign exchange gain of approximately HK\$543,000 was recorded.

#### **SIGNIFICANT INVESTMENTS HELD**

The Group did not have any significant investment for the years ended 31 March 2018, 2019 and 2020.

#### **MATERIAL ACQUISITIONS AND DISPOSALS**

On 22 February 2018, Smart Elite Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into a legal binding provisional agreement for sale and purchase with an independent third party relating to the disposal of the property located at Shop D1 on Ground Floor, Fung Hing Building, Nos. 33-35 Yuen Long Hong Lok Road, 36, 40 and 42 Kau Yuk Road, Yuen Long, New Territories at a consideration of HK\$56,000,000. Details of the said transaction are set out in the announcement of the Company dated 22 February 2018.

On 27 March 2019, the Vendor, as the purchaser, entered into the sale and purchase agreement with Charm Bright International Limited, as the vendor, and Mr. Wo Yu Wai, as the guarantor relating to the sale and purchase of 195,000 ordinary shares (representing 19.5% equity interest of the Premium Holidays Limited ("PHL")) of PHL at a consideration of HK\$400,000. Details of the said transaction are set out in the announcement of the Company dated 27 March 2019.

Save as disclosed above, the Group did not have any material acquisition and disposal for the years ended 31 March 2018, 2019 and 2020.

**SEGMENT INFORMATION**

An analysis of the Group's segment revenue, results, assets and liabilities for each of the years ended 31 March 2018, 2019 and 2020 is set out in note 5 to the financial statements for the years ended 31 March 2018, 2019 and 2020 as included in the Company's annual reports for the years ended 31 March 2018, 2019 and 2020 respectively.

**EMPLOYEES AND REMUNERATION POLICY**

The Group's employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. Other benefits include contributions to mandatory provident fund and medical insurance coverage. In addition, the Group has adopted a Share Option Scheme to recognize the contributions of our staff and to provide them with incentives to stay with the Group. The remuneration policy will be reviewed by the Board from time to time. Emoluments of Directors are determined by the Remuneration Committee after considering the Group's operating results, individual performance and comparing with market conditions.

As at 31 March 2018, 2019 and 2020, the Group had a total workforce of 501, 440 and 237 respectively.

**FUTURE PLANS**

For the year ended 31 March 2018, in view of the increasing demand for customized small group tours with itinerary and various kinds of private group trips, the Group established a private tour and MICE (meeting, incentive, conference and exhibition) for better frontline support and exploring direct business. Facing the keen competition from online travel agents ("OTA"), The Group put resources to differentiate us from OTA by strengthening trip planning and management services. We also launched the online trading platform [www.texpert.com](http://www.texpert.com) and a mobile app in order to seize the online business opportunity. In addition, the Group continued to allocate extra resources to improve the competitive position and expand the tour routes and number of passengers of its high-end long haul tour business, Premium Holidays.

For the year ended 31 March 2019, the Group devoted continuous efforts to optimize its branch network by closing down shops with low efficiency and to implement cost control measures to enhance its competitiveness. The Group committed substantial resources to transforming the FIT (free independent travellers) business to trip planning and tour service company. We continued to strengthen the business development of the private tour and MICE team. The encouraging result of PHL indicated the high potential growth of this business line. Therefore, the Group continued to allocate considerable resources to promote its brand and enhance its service quality and product mix.

For the year ended 31 March 2020, facing the unprecedented pandemic of COVID-19, the Group will pay its best effort to maintain its business operations and continue to actively streamline the branch network and reduce costs to preserve working capital. Furthermore, to maintain and strengthen the Group's further development, we will continue to focus resources on the development of our two major business lines, (i) retail FIT business, private tour and MICE being operated by Travel Expert Limited and (ii) long haul tours being operated by PHL.

In short, albeit the extremely difficult environment, the management will continue to manage our finance prudently and will use its utmost efforts to maintain the Group's operation and preserve working capital to meet its business needs. The Group will adopt responsive measures to overcome this difficult time and strive to recover its profitability.

**CONTINGENT LIABILITIES**

The Group did not have any contingent liabilities as at 31 March 2018, 2019 and 2020.

*The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from B.I. Appraisals Limited, an independent property valuer, in connection with its opinion of value of the Property as at 22 July 2020.*



**B.I. Appraisals Limited**  
**保柏國際評估有限公司**  
*Registered Professional Surveyors, Valuers & Property Consultants*

22/F, China Overseas Building,  
139 Hennessy Road, Wan Chai, Hong Kong  
Tel (852) 2127 7762 Fax (852) 2137 9876  
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21 August 2020

**Travel Expert (Asia) Enterprises Limited**

Units A-C, 9/F, D2 Place Two  
15 Cheung Shun Street  
Lai Chi Kok, Kowloon  
Hong Kong

**For the Attention of the Directors**

Dear Sirs/Madams,

**Re: Whole of 9th Floor, Kowloon Plaza, No. 485 Castle Peak Road, Cheung Sha Wan, Kowloon**

In accordance with the instructions from Travel Expert (Asia) Enterprises Limited (hereinafter referred to as the “**Company**”) for us to value the captioned property (hereinafter referred to as the “**Property**”), which is held by Champion Gate Limited (hereinafter referred to as “**Champion Gate**”), an indirect wholly-owned subsidiary of the Company (hereinafter collectively referred to as the “**Group**”), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of the Property as at 22 July 2020 (hereinafter referred to as the “**Date of Valuation**”).

It is our understanding that this valuation document is to be used by the Company for disclosure reference purpose in relation to the proposed disposal of Champion Gate (hereinafter referred to as the “**Proposed Disposal**”). We further understand that our report is to be incorporated in a circular to be issued by the Company in relation to the Proposed Disposal.

This letter, forming part of our valuation report, states the instructions, identifies the property being valued, explains the basis and methodology of our valuation, and lists out the assumptions and the title investigation we have made in the course of our valuation, as well as the limiting conditions.



**BASIS OF VALUATION**

Our valuation of the Property is our opinion of its market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Our valuation has been carried out in accordance with The HKIS Valuation Standards 2017 Edition issued by The Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**VALUATION METHODOLOGY**

In valuing the Property, which is held by the Company for investment, we have adopted the direct comparison method by making reference to comparable sale evidence as available in the relevant market or, wherever appropriate, the investment method by taking into account the current rent passing and the reversionary income potential of the Property.

**VALUATION ASSUMPTIONS**

Our valuation has been made on the assumption that the Property would be sold in the open market without the benefit of deferred terms contracts, leasebacks, joint venture, management agreements, or any similar arrangements that would serve to affect its value. In addition, no account has been taken of any option or right of pre-emption concerning or effecting a sale and no forced sale situation in any manner is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing the property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoing of an onerous nature that could affect its value.

We have assumed that the Property has been constructed, occupied and used in full compliance with, and without contravention of all ordinances, except only where otherwise stated. We have further assumed that all consents, approvals, required licences, permits, certificates and authorizations have been obtained, except only where otherwise stated, for the use of the Property upon which our valuation is based.

**TITLE INVESTIGATION**

We have caused searches to be made at the Land Registry. However, we have not scrutinized the original documents to ascertain ownership or to verify any amendments that may not appear on the copies handed to us. All documents and leases have been used for reference only.

**LIMITING CONDITIONS**

We have inspected the exterior of the Property on 30 July 2020. In the course of our inspection, we did not note any serious defects. However, no structural survey has been made nor have any tests been carried out on any of the building services provided in the Property. We are, therefore, not able to report that the Property is free from rot, infestation or any other structural defects.

We have not carried out site measurements to verify the correctness of the floor areas of the Property but have assumed that the floor areas shown on the documents provided to us are correct. Dimensions, measurements and areas included in the valuation report attached are based on information contained in the documents provided to us by the Company and are therefore approximations only.

We have relied to a considerable extent on the information provided by the Company and accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, lease, floor areas and all other relevant matters in the identification of the Property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

This report and each part of it is prepared and intended for the exclusive use of the Company for the purpose hereinbefore stated. In accepting this report, the Company expressly agrees not to use or rely upon this report or any part of it for any other purpose without obtaining our prior written consent.

**CURRENCY**

Unless otherwise stated, all monetary amounts stated in the valuation report attached are in Hong Kong dollars (HK\$).

**REMARKS**

We hereby confirm that we have neither present nor prospective interests in the Group, the Property or the value reported herein.

Our valuation report is attached herewith.

Yours faithfully,  
For and on behalf of  
**B.I. APPRAISALS LIMITED**  
**William C. K. Sham**  
*Registered Professional Surveyor (G.P.)*  
*China Real Estate Appraiser*  
*Registered Business Valuer*  
*MRICS, MHKIS, MCIREA*  
*Executive Director*

*Notes:*

- (1) Mr. William C. K. Sham is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors. Mr. Sham has over 35 years' experience in the valuation of properties in Hong Kong and has over 25 years' experience in the valuation of properties in the PRC and the Asia Pacific region.
- (2) The Property was inspected by Mr. Derrick K.K. Chau, the Valuer, on 30 July 2020. Mr. Chau obtained the Bachelor of Science (Honours) in Surveying from Technological and Higher Education Institute of Hong Kong and has more than 1 years' experience in the valuation of properties in Hong Kong and the PRC.

## VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 22 July 2020
Whole of 9th Floor, Kowloon Plaza, No. 485 Castle Peak Road, Cheung Sha Wan, Kowloon	Kowloon Plaza is an industrial building located on the southeastern side of Castle Peak Road within Cheung Sha Wan District of the Kowloon.	3 of the 21 units of the Property with a total saleable area of approximately 1,070 sq.ft. (99.41 sq.m.) are tenant-occupied, under 3	HK\$76,000,000
A total 239/4934th equal and undivided parts or shares of and in Sub-sections 1 and 2 of Section B of New Kowloon Inland Lot No. 3516	The subject Building, completed in about 1991, is a 19-storey industrial building designed to have shops on Ground Floor and car parking spaces on 1st Floor.	tenancies at a total monthly rental of approximately HK\$35,500 with the latest expiring on 23 September 2020.	
	The Property comprises all 11 units on 9th Floor together with the corridor and male and female lavatories thereof, the layout of which, with the approval from the Buildings Department, has been altered by repartitioning into 21 units with unit sizes ranging from approximately 255 sq.ft. (23.69 sq.m.), to 812 sq.ft. (75.44 sq.m.) in saleable areas.	The remaining portions of the Property with a total saleable area of approximately 7,133 sq.ft. (662.67 sq.m.) are vacant.	
	The gross floor area of the Property is approximately 12,128 sq.ft. (1,126.72 sq.m.) and the saleable area as measured from the latest floor plan provided to us by the Company, is approximately 8,203 sq.ft. (762.08 sq.m.).		
	New Kowloon Inland Lot No. 3516 is held from the Government under Conditions of Sale No. 4268 for a term of 75 years renewable for 24 years commencing from 1 July 1898, which has been statutorily extended until 30 June 2047.		
	The Government Rent payable for the Property is HK\$60,840 per annum.		

*Notes:*

- (1) The registered owner of the Property is Champion Gate, via an assignment dated 29 July 2011, registered vide Memorial No. 11081202550160.
- (2) Pursuant to the Consent Letter dated 23 April 2018 issued by Building Authority, the consent to the commencement of Building (Alterations and Additions) works proposed to be carried out at the Property was granted.
- (3) The Property is subject to a Mortgage in favour of Hang Seng Bank Limited vide Memorial No. 19061102270133 dated 23 May 2019.
- (4) The Property lies within an area currently zoned as “Other Specified Uses (Business 2)” on the Approved Cheung Sha Wan Outline Zoning Plan No. S/K5/37 gazetted on 16 December 2016.
- (5) The Property was valued at HK\$78,000,000 as at 31 March 2020 by B.I. Appraisals Limited on the basis of market value using the Direct Comparison Method and in accordance with The HKIS Valuation Standards 2017 Edition and under generally accepted valuation procedures and practices, which are in compliance with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm, that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' Interests

As at the Latest Practicable Date, the interests and short position of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation as defined in Part XV of the SFO which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short position which they are taken or deemed to have under such provision of the SFO), or which were 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 for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) were as follows:

#### (i) Long position in ordinary shares of the Company

Name of Director	Personal interests	Family interests	Corporate interests	Total interests	Approximate percentage of the issued share capital
Mr. Ko Wai Ming, Daniel (“Mr. Ko”)	4,240,000	8,370,000 (Note a)	356,715,000 (Note b)	369,325,000	72.44%
Ms. Cheng Hang Fan (“Mrs. Ko”)	8,370,000	4,240,000 (Note a)	356,715,000 (Note b)	369,325,000	72.44%

Notes:

- (a) Mr. Ko and Mrs. Ko are spouses. Pursuant to the 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 & Home Holdings Limited (“CHHL”), which is owned as to 60% and 40% by Mr. Ko and Mrs. Ko respectively.

*(ii) 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 the 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 the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests and short position in the shares, underlying shares and debentures of the Company or any of its 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.

**(b) Substantial Shareholders' Interests**

Name of shareholders	Beneficial owner	Family interest	Total number of shares held	Approximate percentage of the issued share capital
CHHL (Note a)	356,715,000	–	356,715,000	69.96%
Mr. Chu Hung Kwan ("Mr. Chu") (Note b)	17,400,000	11,500,000	28,900,000	5.67%
Ms. Tai Kan Yuet ("Mrs. Chu") (Note b)	11,500,000	17,400,000	28,900,000	5.67%

*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 the 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, as at the Latest Practicable Date, 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 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.

### **3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

### **4. DIRECTORS' INTERESTS IN THE ASSETS, CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any assets which have, since 31 March 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group. None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

### **5. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

### **6. LITIGATION**

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

### **7. QUALIFICATION AND CONSENT OF EXPERT AND EXPERT'S INTERESTS**

The following is the qualification of the expert who has given opinions or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
B.I. Appraisals Limited	An independent professional property valuer



As at the Latest Practicable Date, the above expert has:

- (a) no shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) no interest, direct or indirect, in any assets which have been, since 31 March 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name included herein in the form and context in which they appear.

## 8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by the Group within two years immediately preceding the Latest Practicable Date:

- (a) the sale and purchase agreement dated 27 March 2019 entered into between Travel Expert Enterprises Limited (“**TEEL**”), an indirect wholly-owned subsidiary of the Company, as the purchaser, and Charm Bright International Limited, as the vendor and Mr. Wo Yu Wai as the guarantor of the vendor pursuant to which TEEL conditionally agreed to purchase and the vendor conditionally agreed to sell 195,000 ordinary shares in Premium Holidays Limited at a consideration of HK\$400,000. For details, please refer to the announcement of the Company published on 27 March 2019;
- (b) the provisional agreement dated 16 June 2020 and the formal agreement dated 3 July 2020 entered into between Profit Genius Marketing Solutions Limited (“**Profit Genius**”), an indirect wholly-owned subsidiary of the Company and King Major Limited (“**King Major**”) pursuant to which Profit Genius agreed to sell and King Major agreed to purchase the property located at Flats A and C on 1st Floor, Han Chung Mansion, Nos. 8 and 10 Hankow Road, Kowloon, at a consideration of HK\$28,000,000. For details, please refer to the circular of the Company published on 31 July 2020; and
- (c) the Provisional Agreement.

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekdays (except for Saturday and public holidays) at the Company’s principal place of business in Hong Kong for a period of 14 days from the date of this circular:

- (a) the Provisional Agreement;
- (b) the memorandum and articles of association of the Company;
- (c) the property valuation report from B.I. Appraisals Limited, the text of which is set out in Appendix V to this circular;
- (d) the written consent referred to in the paragraph headed “Qualification and Consent of Expert and Expert’s Interests” in this Appendix;
- (e) the annual reports of the Company for the three financial years ended 31 March 2018, 2019 and 2020;
- (f) the interim report of the Company for the six months ended 30 September 2019;
- (g) the material contracts referred to in the section headed “Material Contracts” in this Appendix;
- (h) the circular of the Company dated 31 July 2020 and this circular;
- (i) the unaudited financial information of the Subject Company set out in Appendix II to this circular;
- (j) the report from BDO Limited in relation to review of the unaudited financial information of the Subject Company for the years ended 31 March 2018, 2019 and 2020; and
- (k) the report from BDO Limited in relation to the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular.

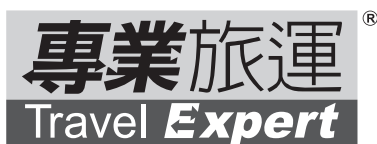
**10. MISCELLANEOUS**

- (a) the registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands;
- (b) the head office and principal place of business of the Company is located at Units A-C, 9th Floor, D2 Place TWO, 15 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong;
- (c) the Company’s branch share registrar in Hong Kong is Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong;
- (d) the company secretary of the Company is Ms. Cheng Yin Wah; and
- (e) the English text of this circular prevails over the Chinese text in case of inconsistency.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### Travel Expert (Asia) Enterprises Limited

### 專業旅運（亞洲）企業有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1235)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “**EGM**”) of Travel Expert (Asia) Enterprises Limited (the “**Company**”) will be held at Units A-C, 9/F., D2 Place TWO, 15 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong on Friday, 18 September 2020 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution:

### ORDINARY RESOLUTION

“**THAT** the agreement dated 22 July 2020 (the “**Provisional Agreement**”) entered into between Ace Pride Group Limited (the “**Purchaser**”), Travel Expert Enterprises Limited (the “**Vendor**”) and the Company, a copy of which is tabled at the Meeting and marked “A” and initialed by the chairman of the Meeting for identification purpose, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Share (as defined in the Company’s Circular dated 21 August 2020 (the “**Circular**”)) and Shareholder’s Loan (as defined in the circular) of Champion Gate Limited at an aggregate consideration of HK\$74,800,000 (subject to adjustments) be and is hereby approved, confirmed and ratified; and any one director of the Company be and is hereby authorized to do all such acts or things and sign all documents including, but not limited to, the Formal Agreement (as defined in the Circular) deemed necessary by him/her to be incidental to, ancillary to or in connection with the matters contemplated under the Provisional Agreement.”

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

Hong Kong, 21 August 2020

*As at the date of this notice, the Executive Directors of the Company are Mr. Ko Wai Ming, Daniel and Ms. Cheng Hang Fan; and the Independent Non-executive Directors of the Company are Mr. Mak King Sau, Mr. Szeto Chi Man and Mr. Yung Ha Kuk, Victor.*

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. A form of proxy for use at the EGM is enclosed.
2. Any member of the Company entitled to attend and vote at the EGM convened by this notice shall be entitled to appoint proxy to attend and vote instead of him in accordance with the Articles of the Company. A proxy need not be a member of the Company, but must be present in person to represent the member.
3. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.
4. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should they so wish.
5. The above resolution will be voted by way of a poll at the EGM.
6. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 15 September 2020 to Friday, 18 September 2020, both days inclusive. In order to be eligible to attend and vote at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 14 September 2020.