東勝旅遊
ORIENT VICTORY TRAVEL

ORIENT VICTORY TRAVEL GROUP COMPANY LIMITED
東勝旅遊集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS:

- The Group recorded revenue of approximately HK$476.00 million (2018: approximately HK$248.34 million (restated)) for the Year, representing an increase of approximately 91.67% as compared to the corresponding period of last year. Such increase is primarily attributable to the expansion of the diversified tourism products and services business and the integrated development businesses in the PRC.

- Loss for the Year was approximately HK$23.98 million (2018: approximately HK$57.89 million (restated)), representing a decrease of approximately 58.58% as compared to the corresponding period of last year.

- Basic and diluted loss per share attributable to equity shareholders of the Company for the Year was HK0.38 cents (2018: HK0.64 cents (restated)).

- The Board does not recommend the payment of a final dividend for the Year (2018: Nil).

The board (the "**Board**") of directors (the "**Director(s)**") of Orient Victory Travel Group Company Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Year**"), together with comparative figures for the last financial year as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2019

*(Expressed in Hong Kong dollars ("**HK$**"))*

	Note	**2019**	2018
		$'000	*$'000*
			(Restated)
			(Note)
Continuing operations:			
Revenue	*3*	**475,999**	248,342
Cost of sales and services		**(426,874)**	(230,554)
Gross profit		**49,125**	17,788
Other income		**1,707**	5,375
Selling, general and administrative expenses		**(79,273)**	(60,735)
Share of losses of associates		**(10,974)**	(17,314)
Valuation gains on investment properties		**28,025**	–
Loss from operations		**(11,390)**	(54,886)
Finance costs	*4*	**(5,971)**	(2,174)
Loss before taxation	*4*	**(17,361)**	(57,060)
Income tax	*5*	**(5,558)**	–
Loss for the year from continuing operations		**(22,919)**	(57,060)
Discontinued operations:			
Loss for the year from discontinued operations		**(1,063)**	(833)
Loss for the year		**(23,982)**	(57,893)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

for the year ended 31 December 2019

*(Expressed in Hong Kong dollars ("**HK$**"))*

	Note	**2019**	2018
		$'000	*$'000*
			(Restated)
			(Note)
Attributable to:			
Equity owners of the Company			
– continuing operations		**(33,034)**	(55,564)
– discontinued operations		**(1,063)**	(514)
		(34,097)	(56,078)
Non-controlling interests			
– continuing operations		**10,115**	(1,496)
– discontinued operations		**–**	(319)
		10,115	(1,815)
Loss for the year		**(23,982)**	(57,893)
Basic and diluted loss per share	*6*	**(HK0.38 cents)**	(HK0.64 cents)

Note: The restatement of comparative information is attributable to the discontinued operations. The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(c).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019
(Expressed in HK$)

	2019	2018
	$'000	*$'000*
		(Restated)
		(Note)
Loss for the year	**(23,982)**	(57,893)
Other comprehensive income for the year (after tax)		
Items that may be reclassified subsequently to profit or loss:		
– exchange differences on translation of financial statements of foreign operations	**(16,316)**	(22,951)
– exchange reserve recycled to profit or loss upon disposal of subsidiaries	**–**	(908)
	(16,316)	(23,859)
Total comprehensive income for the year	**(40,298)**	(81,752)
Attributable to:		
Equity owners of the Company		
– continuing operations	**(47,793)**	(78,258)
– discontinued operations	**(1,063)**	(1,572)
	(48,856)	(79,830)
Non-controlling interests		
– continuing operations	**8,558**	(1,484)
– discontinued operations	**–**	(438)
	8,558	(1,922)
Total comprehensive income for the year	**(40,298)**	(81,752)

Note: The restatement of comparative information is attributable to the discontinued operations. The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

(Expressed in HK$)

	Note	**2019** **$'000**	2018 $'000 (Note)
Non-current assets			
Investment properties		**159,358**	–
Other property, plant and equipment		**132,170**	103,576
		291,528	103,576
Lease prepayments		**–**	27,684
Intangible assets		**7,813**	18,128
Goodwill		**15,298**	12,994
Interests in associates		**343,518**	391,253
Other financial assets		**–**	71,063
Deferred tax assets		**2,396**	–
		660,553	624,698
Current assets			
Inventories		**193,362**	69,986
Trade receivables	*7*	**53,875**	25,578
Prepayments, deposits and other receivables		**162,205**	81,680
Restricted bank deposits		**3,123**	11,794
Cash and cash equivalents		**117,807**	188,873
		530,372	377,911

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

as at 31 December 2019

(Expressed in HK$)

	Note	2019 $'000	2018 $'000 (Note)
Current liabilities			
Trade payables	8	**40,338**	26,701
Contract liabilities		**15,229**	1,223
Other payables and accruals		**278,177**	170,209
Short-term borrowings	9	**17,935**	13,226
Lease liabilities		**3,918**	–
Provisions		**976**	–
		356,573	211,359
Net current assets		**173,799**	166,552
Total assets less current liabilities		**834,352**	791,250
Non-current liabilities			
Long-term borrowings	9	**109,387**	–
Lease liabilities		**1,907**	–
Deferred tax liabilities		**13,429**	6,790
Provisions		**3,467**	–
		128,190	6,790
NET ASSETS		**706,162**	784,460
CAPITAL AND RESERVES			
Share capital	10	**64,610**	63,750
Perpetual convertible securities		**296,274**	396,274
Reserves		**245,707**	283,576
Total equity attributable to equity owners of the Company		**606,591**	743,600
Non-controlling interests		**99,571**	40,860
TOTAL EQUITY		**706,162**	784,460

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in HK$ unless otherwise indicated)

1 CORPORATE INFORMATION

The Company is an exempted limited company incorporated in the Cayman Islands. The registered office of the Company is located at P. O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Upon the sale of its financial business in May 2019, the Group is principally engaged in the diversified tourism products and services, integrated development businesses, and other investment holding business during the year ended 31 December 2019.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance (the "**Companies Ordinance**"). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Group and the Group's interests in associates.

These financial statements are presented in HK$, which is the Company's functional currency, and all values are rounded to the nearest thousand ("**$'000**") except when otherwise indicated.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for interests in leasehold land held as investment property and contingent consideration which are stated at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases − incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and there is no impact to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. *Lessee accounting and transitional impact*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.75%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	$'000
Operating lease commitments at 31 December 2018	1,578
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(1,578)
Total lease liabilities recognised at 1 January 2019	–

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	**Capitalisation of operating lease contracts**	**Carrying amount at 1 January 2019**
	$'000	*$'000*	*$'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Other property, plant and equipment	103,576	27,684	131,260
Lease prepayments	27,684	(27,684)	–
Total non-current assets	131,260	–	131,260

c. *Impact on the financial result, segment results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported loss from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16	**Add back: HKFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating leases as if under HKAS 17** *(Note 1)*	**Hypothetical amounts for 2019 as if under HKAS 17**	Compared to amounts reported for 2018 under HKAS 17 (Restated)
	(A)	(B)	(C)	(D=A+B-C)	*(Note)*
	$'000	***$'000***	***$'000***	***$'000***	*$'000*
Financial result from continuing operations for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Loss from operations	**(11,390)**	**3,386**	**3,537**	**(11,541)**	(54,886)
Finance costs	**(5,971)**	**223**	**–**	**(5,748)**	(2,174)
Loss before taxation	**(17,361)**	**3,609**	**3,537**	**(17,289)**	(57,060)
Loss for the year from continuing operations	**(22,919)**	**3,609**	**3,537**	**(22,847)**	(57,060)
Reportable segment results from continuing operations for year ended 31 December 2019 *(Note 3(b))* impacted by the adoption of HKFRS 16:					
– Diversified tourism products and services	**(10,605)**	**1,168**	**1,227**	**(10,664)**	(5,294)
– Integrated development	**28,499**	**152**	**160**	**28,491**	(64)
– Investment holding	**(29,284)**	**2,066**	**2,150**	**(29,368)**	(49,528)
– Total	**(11,390)**	**3,386**	**3,537**	**(11,541)**	(54,886)

Note: The restatement of comparative information is attributable to the discontinued operations.

	2019			2018
	Amounts reported under HKFRS 16	**Estimated amounts related to operating leases as if under HKAS 17** *(Notes 1 & 2)*	**Hypothetical amounts for 2019 as if under HKAS 17**	Compared to amounts reported for 2018 under HKAS 17
	(A)	(B)	(C=A+B)	
	$'000	***$'000***	***$'000***	*$'000*
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash used in operations	**(94,825)**	**(3,537)**	**(98,362)**	(25,629)
Net cash used in operating activities	**(94,825)**	**(3,537)**	**(98,362)**	(25,629)
Capital element of lease rentals paid	**(3,314)**	**3,314**	**–**	–
Interest element of lease rentals paid	**(223)**	**223**	**–**	–
Net cash used in financing activities	**(12,493)**	**3,537**	**(8,956)**	(9,687)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group, following the completion of the sale of its financial service business, is principally engaged in the provision of diversified tourism products and services, integrated development businesses, and investment holding business. Further details regarding the Group's principal activities are disclosed in Note 3(b).

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2019	2018
	$'000	*$'000*
Continuing operations:		
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
– Sales of air tickets	**311,157**	234,928
– Sales of diversified tourism products, provision of travel and other related services and commission income	**84,671**	13,414
– Sales of products and service income from tourism attractions	**49,388**	–
– Marketing, event planning and consulting services	**30,783**	–
	475,999	248,342
Discontinued operations:		
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
– Financial services	**–**	330
– Trading and retail of jewellery	**–**	24,773
– Commission income from sales of jewellery	**–**	2,203
	–	27,306
	475,999	275,648

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 3(b)(i) and 3(b)(ii) respectively.

The Group mainly engages in retail business, and the directors of the Company consider that the Group's customer base is diversified and has no customer with whom transactions have exceeded 10% of the Group's revenue for the years ended 31 December 2019 and 2018.

(b) Segment reporting

For management purposes, the Group is organised into business units based on their products and services, and has reportable operating segments as follows:

Continuing reportable segments:

- The diversified tourism products and services segment, which comprises the sale of air tickets and other tourism products, provision of travel related and other services principally to corporate clients.

- The integrated development segment, which involves the development and operation of tourism and cultural attractions, sales of products, properties for lease business and for sale, and other services.

- The investment holding segment, which mainly involves equity investment activities.

Discontinued reportable segments:

- The financial services segment, which mainly involves the provision of advisory services on corporate finance, securities and asset management.

- The trading and retail of jewellery segment, which involves the distribution and sale of jewellery products.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. For continuing reportable segments, the adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that finance costs are excluded from such measurement.

Segment assets and liabilities include all assets and liabilities with the exception of cash and cash equivalents and restricted bank deposits which are managed centrally.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below.

	Continuing operations								**Discontinued operations**						
	Diversified tourism products and services		**Integrated development**		**Investment holding**		**Sub-total**		**Financial services**		**Trading and retail of jewellery**	**Sub-total**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	2018	**2019**	2018	**2019**	2018
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
		(Note)		*(Note)*		(Restated) *(Note)*		(Restated) *(Note)*		(Restated) *(Note)*	*(Note)*				*(Note)*
Disaggregated by timing of revenue recognition:															
– Point in time	**395,828**	245,601	**76,312**	–	**–**	–	**472,140**	245,601	**–**	–	26,976	**–**	26,976	**472,140**	272,577
– Over time	**–**	2,741	**3,859**	–	**–**	–	**3,859**	2,741	**–**	330	–	**–**	330	**3,859**	3,071
Revenue from external customers	**395,828**	248,342	**80,171**	–	**–**	–	**475,999**	248,342	**–**	330	26,976	**–**	27,306	**475,999**	275,648
Segment results	**(10,605)**	(5,294)	**28,499**	(64)	**(29,284)**	(49,528)	**(11,390)**	(54,886)	**(1,063)**	(2,930)	2,492	**(1,063)**	(438)	**(12,453)**	(55,324)
Finance costs							**(5,971)**	(2,174)	**–**	–	(395)	**–**	(395)	**(5,971)**	(2,569)
Loss before taxation							**(17,361)**	(57,060)	**(1,063)**	(2,930)	2,097	**(1,063)**	(833)	**(18,424)**	(57,893)
Segment assets	**78,749**	36,348	**606,297**	315,541	**384,949**	433,379	**1,069,995**	785,268	**–**	16,674	–	**–**	16,674	**1,069,995**	801,942
Corporate and other unallocated assets														**120,930**	200,667
Total assets														**1,190,925**	1,002,609
Segment and total liabilities	**66,734**	50,055	**313,646**	69,500	**104,383**	95,692	**484,763**	215,247	**–**	2,902	–	**–**	2,902	**484,763**	218,149
Other segment information:															
Share of losses of associates	**–**	–	**–**	–	**10,974**	17,314	**10,974**	17,314	**–**	–	–	**–**	–	**10,974**	17,314
Loss on disposal of property, plant and equipment, net	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	17	**–**	17	**–**	17
Depreciation and amortisation	**1,495**	251	**6,194**	195	**387**	199	**8,076**	645	**–**	12	46	**–**	58	**8,076**	703
Capital expenditure	**3,581**	369	**7,655**	8	**50**	7	**11,286**	384	**–**	–	9	**–**	9	**11,286**	393

Note: The restatement of comparative information is attributable to the discontinued operations. The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(c).

(ii) Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's assets. The geographical location of customers is based on the location at which the goods and services were sold or provided. The geographical location of the specified assets is based on the physical location of the assets or the location of the operations, in the case of investment properties, other property, plant and equipment, intangible assets, deferred tax assets and current assets, and the location of operations, in the case of goodwill and interests in associates except for the associate's intangible assets in distribution network which is separately allocated based on the location receiving the substantial benefits.

	Revenue from external customers (Continuing operations)		**Revenue from external customers (Discontinued operations)**		**Non-current assets**		**Current assets**		**Total assets**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
		(Restated) *(Note)*		(Restated) *(Note)*						
Hong Kong (place of domicile)	**210,261**	245,020	**–**	330	**349,908**	365,495	**45,630**	211,591	**395,538**	577,086
Mainland China	**265,738**	3,322	**–**	26,976	**280,367**	259,200	**428,805**	98,427	**709,172**	357,627
New Zealand	**–**	–	**–**	–	**30,278**	3	**55,937**	67,893	**86,215**	67,896
	475,999	248,342	**–**	27,306	**660,553**	624,698	**530,372**	377,911	**1,190,925**	1,002,609

Note: The restatement of comparative information is attributable to the discontinued operations. The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(c).

4 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	2019	2018
	$'000	*$'000*
Interest on bank loans	**587**	–
Interest on lease liabilities	**223**	–
Finance costs in connection with interest-free loan from non-controlling shareholders of a subsidiary	**3,802**	–
Net foreign exchange loss	**1,359**	2,174
	5,971	2,174

(b) Staff costs (including directors' emoluments)

	2019	2018
	$'000	*$'000*
		(Restated)
Wages, salaries and other benefits	**39,375**	28,243
Pension scheme contributions	**2,357**	1,432
Equity-settled share-based payment expenses	**174**	–
	41,906	29,675

(c) Other items

	2019	2018
	$'000	*$'000*
		(Restated)
Cost of inventories sold	**311,294**	230,554
Amortisation cost of intangible assets	**24**	7
Depreciation charge		
– owned property, plant and equipment	**3,983**	638
– right-of-use assets	**4,069**	–
Impairment losses on trade receivables		
– trade receivables	**1,327**	18
Total minimum lease payments for leases previously classified as operating leases under HKAS 17 *(Note)*	**–**	6,369
Auditors' remuneration	**4,447**	3,507

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See Note 2(c).

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2019	2018
	$'000	*$'000*
Deferred tax		
Origination and reversal of temporary differences	**5,558**	–

Notes:

(i) Provision for Hong Kong Profit Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year. The Company and the subsidiaries of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profit Tax for 2019 (2018: $Nil).

(ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(iii) Pursuant to the rules and regulations of the PRC, the Group's subsidiaries established in Mainland China are subject to PRC Corporate Income Tax at the statutory rate of 25% during the year (2018: 25%).

(iv) Pursuant to the rules and regulations of the New Zealand, the Group's subsidiaries established in the New Zealand are subject to the Business Income Tax at the statutory rate of 28% during the year (2018: 28%).

6 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company and the weighted average ordinary shares in issue during the year, calculated as follows:

(i) Loss for the purpose of calculating basic loss per share

	2019	2018
	$'000	*$'000*
Loss attributable to the equity owners of the Company	**34,097**	56,078
Distribution paid to the holders of perpetual convertible securities	**13,037**	26,078
Accrued distribution to the holders of perpetual convertible securities	**2,100**	–
Loss for the purpose of calculating basic loss per share	**49,234**	82,156

(ii) ***Weighted average number of ordinary shares***

	2019	2018
	'000	*'000*
Issued ordinary shares at 1 January	**12,749,925**	12,748,925
Effect of issuance of shares upon conversion of perpetual convertible securities	**–**	493
Effect of issuance of new shares	**148,596**	–
Weighted average number of ordinary shares at 31 December (basic)	**12,898,521**	12,749,418

(b) Diluted loss per share

There were no dilutive potential ordinary shares outstanding for the years ended 31 December 2019 and 2018. The effect of the deemed conversion of the perpetual convertible securities was not included in the calculation of diluted loss per share as they are anti-dilutive during the years ended 31 December 2019 and 2018.

7 TRADE RECEIVABLES

	2019	2018
	$'000	*$'000*
Trade receivables	**55,338**	25,730
Less: loss allowance	**(1,463)**	(152)
	53,875	25,578

Ageing analysis

As at the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	$'000	*$'000*
Within 90 days	**52,040**	23,060
91 to 180 days	**1,306**	1,902
181 to 365 days	**170**	429
Over 365 days	**359**	187
	53,875	25,578

Trade receivables are due within 14 to 90 days (2018: 14 to 90 days) from the date of billing.

8 TRADE PAYABLES

As at the end of reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2019	2018
	$'000	*$'000*
Within 90 days	**39,742**	26,701
91 to 180 days	**65**	–
181 to 365 days	**531**	–
	40,338	26,701

Included in trade payables are payables of $22,236,000 (2018: $24,800,000) due to a non-controlling equity shareholder of a subsidiary which are repayable within 40 days from the date of billing.

All of the trade payables are expected to be settled within one year or are repayable on demand.

9 BORROWINGS

The analysis of the Group's borrowings is as follows:

	2019	2018
	$'000	*$'000*
Short-term		
– Bank loans *(Note)*	**17,935**	–
– Other borrowings from related parties	**–**	13,226
	17,935	13,226
Long-term		
– Other borrowings from non-controlling shareholders of a subsidiary	**109,387**	–

Note: As at 31 December 2019, bank loans amounting to $17,935,000 were secured by the Group's lands and properties under development located in New Zealand, and guaranteed by the controlling shareholder of the Company, Mr. Shi Baodong and the Group's subsidiary in New Zealand.

10 SHARE CAPITAL

	2019		2018	
	Number of ordinary shares		Number of ordinary shares	
	'000	***$'000***	*'000*	*$'000*
Authorised:				
Ordinary share at $0.005 each	**20,000,000**	**100,000**	20,000,000	100,000
Issued and fully paid:				
At 1 January	**12,749,925**	**63,750**	12,748,925	63,745
Issuance of new shares *(Note (i))*	**172,150**	**860**	–	–
Issuance of new shares upon conversion of perpetual convertible securities *(Note (ii))*	**–**	**–**	1,000	5
At 31 December	**12,922,075**	**64,610**	12,749,925	63,750

Note:

(i) Pursuant to two subscription agreements entered into on 25 January 2019 and 6 June 2019 between the Company and Orient Victory Real Estate Group Holdings Limited ("**OVRE**"), a controlling shareholder of the Company, 156,460,000 and 15,690,000 new ordinary shares of the Company were issued to OVRE at $0.145 per share and $0.129 per share respectively. The transactions were completed on 8 February 2019 and 19 June 2019 respectively, resulting in an aggregate proceed of $24,710,000, of which $860,000 was credited to share capital and the remaining $23,850,000 was credited to the share premium account.

(ii) In 2018, 1,000,000 units of 2016 PCS have been converted into 1,000,000 ordinary shares in the Company. The amount of $128,000 from the above conversion were credited to share capital and share premium account at the amounts of $5,000 and $123,000, respectively.

11 DIVIDEND

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: $Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Strategy

The Group will continue to explore opportunities to expand its business in order to add momentum to the growth of the Group in the long run.

The competition in diversified tourism products and services business has been keen. Face-to-face sale of air-tickets and other services has been challenged by the widespread usage of on-line tools. For the Year, the Group achieved a breakthrough to expand its source of business. Revenue from the diversified tourism products and services business in the PRC increased sharply. It has not only compensated the shortfall of approximately 14.19% in the Group's revenue from the diversified tourism products and services business in Hong Kong between both years, but also acted as a driver to push the revenue of the Group upward in the long run.

The Group has dedicated in developing the diversified tourism products and services business. Dongsheng (Beijing) International Travel Co., Limited* (東勝（北京）國際旅行社有限公司) ("**Dongsheng Beijing**"), a wholly-owned subsidiary of the Group, has expanded its scope of business by engaging in the wholesale of air tickets in the PRC during the Year. This is a new source of revenue and we believe that stepping into the wholesale business could enhance its presence in the tourism-related industry. In addition, the Group has acquired Beijing Jinlv Shidai Tourism Co. Limited* (北京金旅時代旅行社有限公司) ("**Jinlv Shidai**"), a non-wholly owned subsidiary of the Group, during the Year, which is also licensed to carry on business in the provision of diversified tourism products and services in the PRC.

Apart from the promotion of the current diversified tourism products and services business, the Group has been looking for potential and profitable business in order to broaden the benefit of the Group and its shareholders as a whole. The Group commenced its investment in the integrated development businesses in 2017 and the development of a residential area in New Zealand is its first project. The first phase of the residential zone was completed in the fourth quarter of 2019 and is under sale process. It is expected that development of the second phase would be commenced after the sale of the first phase of residential zone.

With reference to the consumption trends of recent years, people tend to enjoy their holiday in the style of leisure and health-care and spent more on food, entertainment and accommodation. These consumption trends improve the profitability of the development and operation of tourism attractions and culture spots as well as visitor accommodation and properties for leases and sales. The Group has been eager to expand its involvement in these integrated development businesses to provide various leisure and vacation products to its customers, and focusing on owning a series of tourism facilities spots to cater the potential needs of leisure, entertainment and accommodation from its customers. Also, investing in property development for providing accommodation, such as self-services apartments and residential apartments around the tourism attractions is another way to bring the tourism mentality into the daily life style.

In order to broaden the Group's income sources and achieve better return for its shareholders, in 2018, the Company completed acquisition of a tourism attraction and culture spot. Besides, the Company completed a number of acquisitions such as the acquisitions of Zhangjiakou Dakun Zhifang Real Estate Development Co., Limited* (張家口大坤直方房地產開發有限公司) ("**Dakun Zhifang**"), Hebei Yidao Town Real Estate Development Limited* (河北驛道小鎮房地產開發有限公司) ("**Yidao Town Real Estate**") and Zhangjiakou Wan Long Real Estate Tourism Company Limited * (張家口萬龍置業旅遊有限公司) ("**Wan Long**"), which have become the Company's non-wholly owned subsidiaries and are engaging in the developments of tourism-related accommodation facilities in the PRC. Further, during the Year, the Group recruited a team of talents who were equipped with experience of corporate image building, brand management, marketing, event planning and public relations and communication, and entered into the business of providing marketing, event planning and consultancy services. Such business will provide further growth momentum to the Group in the long run.

In May 2019, the Group completed the disposal of its financial services business as its performance does not meet the Board's expectation. In addition, the financial services business was not a core business of the Group. In view of the benefit of the Group and its shareholders as a whole, the Group ceased the financial services business such that the Group could improve its resources allocation.

Looking forward, the Board believes that, as a result of the outbreak of the coronavirus (COVID-19) epidemic, the Group's performance for the year 2020 would be inevitably affected. In order to control spreading of the coronavirus and ensure the safety of people, the government has appealed to people to spend more time at home and issued polices to temporarily suspend business of some entertainment venues and scenery spots. The pandemic led to certain level of impact to the tourism, which may bring a huge impact to the Group's diversified tourism products and services business and integrated development businesses in the short-term. However, having considered the prevention measures of the Chinese government on the spreading of COVID-19, the expected improvement of the PRC economy and the continuous improvement of people's living standard, the tourism-related businesses will be vigorous in a long run. The Group will overcome the challenges ahead and continue to seek potential opportunities of the tourism-related industry, including but not limited to the further acquisition and development of diversified tourism products and services business, tourism facilities spots and related properties and accommodations. The potential investments, if materialised, shall enable the Group to expand its tourism-related business vertically and horizontally as well as generate synergy effects on the existing businesses of the Group. The Group will continue to take prudent and cautious steps in business development in order to improve the benefit of the Group and shareholders.

Business Outlook

The "Travel +" (Travel + Integrated Development) will be the main revenue driver of the Group and the Group will develop "Travel +" business focusing on investment in tourism-related resources with a view to increasing its market share in the tourism market and integrated development, aiming to turn the Group into a comprehensive tourism-related service provider.

Business Review

Diversified Tourism Products and Services Business

Diversified tourism products and services business remains the core business of the Group. Despite the slowdown of global economic growth and the intense competition resulting from the rise of on-line travel agencies, the Group recorded a significant growth of revenue in the diversified tourism products and services business. The driver of the growth of revenue mainly came from Dongsheng Beijing, a subsidiary of the Group acquired in 2018, which is principally engaged in the tourism business in the PRC and owns an outbound travel licence. Besides, during the Year, the Group acquired Jinlv Shidai, a non-wholly owned subsidiary of the Company, which is principally engaged in the sales of air tickets and provision of tourism-related services in the PRC. As a result, the source of revenue in the diversified tourism products and services business, geographically, has been further expanded to both Hong Kong and the PRC during the Year.

Revenue of the diversified tourism products and services business increased sharply by approximately HK$147.49 million from approximately HK$248.34 million for the year ended 31 December 2018 to approximately HK$395.83 million for the Year. The loss of the diversified tourism products and services business increased by approximately HK$5.32 million from approximately HK$5.29 million for the year ended 31 December 2018 to approximately HK$10.61 million for the Year. The increase in loss was mainly due to the increase in staff costs under the selling, general and administrative expenses incurred by the existing subsidiaries which have expanded their scale of operations in the PRC, and the increase in impairment losses on certain trade receivables and prepayments, deposits and other receivables.

Integrated Development Businesses

The Group has been operating in the integrated development businesses since the acquisition of a piece of land in New Zealand in 2017. The Group plans to develop the piece of land in certain phases and the first phase as self-serviced and residential units was completed and its demonstration unit has been available for potential buyers since the fourth quarter of 2019. Several units were sold during the first quarter of 2020. On the other hand, the Group acquired certain companies in the PRC, namely Dakun Zhifang, Hebei Tu Men Travel Development Limited* (河北土門旅遊開發有限公司) ("**Tu Men Travel**"), Yidao Town Real Estate and Wan Long between December 2018 and March 2019, which are principally engaged in the operation and management of tourist attractions and culture spots, and the developments of tourism-related accommodation facilities in the PRC. During the Year, Tu Men Travel, for the first time, contributed revenue of approximately HK$49.39 million (2018: nil) to the Group, while Dakun Zhifang, Yidao Town Real Estate and Wan Long are under planning and development stage. In addition, the Group entered into the business of providing marketing, event planning and consultancy services during the Year, which contributed revenue of approximately HK$30.78 million (2018: nil) to the Group during the Year.

The profit of the integrated development businesses increased by approximately HK$28.56 million from the loss of approximately HK$0.06 million for the year ended 31 December 2018 to a profit of approximately HK$28.50 million for the Year. The increase in profit was mainly due to the commencement of operations of the above-mentioned business, and the recognition of valuation gains on investment properties located in the PRC and New Zealand.

Investment Holding Business

Investment holding business of the Group mainly represented the equity interest in China Comfort Travel Group Company Limited* (中國康輝旅遊集團有限責任公司) ("**China Comfort**"), an associate of the Group. China Comfort engages in the provision of travel agent services in the PRC, including domestic travel, outbound travel and inbound travel, and provision of brand name for the franchisees. In the view that China Comfort recorded consolidated net losses for the four years ended 31 December 2016, 2017, 2018 and 2019 and that, during the year ended 31 December 2016, China Comfort had recorded a significant impairment on intangible assets, it was resolved by the Board on 26 March 2020 to proceed with the disposal of China Comfort (as detailed in paragraphs (b) under section headed "Events After The Reporting Period" of this announcement) with a view to improving the Group's financial status and reducing the risk of having further losses and impairment derived from China Comfort. In addition, the Company is of the view that through the disposal, the Company will be able to optimise and adjust its asset structure to increase the liquidity of assets, improve the efficiency of the use of the Company's assets and gain certain benefits therefrom.

Financial Services Business

The Group had disposed of all of its interests in licensed corporations which carry the Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the Securities Future Ordinances (Chapter 571 of the Laws of Hong Kong) ("**SFO**") during the Year. The Board had put effort to improve its sources of revenue and operating performance in the past years, but the outcome did not meet the Board's expectation. In addition, the financial services business was not a core business of the Group. In order to allocate resources for the better interests to the shareholder, the Group ceased to engage in the financial services business since May 2019.

No revenue was generated from the financial services business for the Year, while a revenue of approximately HK$0.33 million was recorded for year ended 31 December 2018. The loss of the financial services business decreased by approximately HK$1.87 million from approximately HK$2.93 million for the year ended 31 December 2018 to approximately HK$1.06 million for the Year.

Financial Analysis

Operating Performance

a. *Continuing operations*

The continuing operations of the Group are the provision of diversified tourism products and services, the provision of integrated development businesses and the investing holding.

Analysis by nature of revenue:

	2019		2018	
	HK$'000	***%***	*HK$'000*	*%*
Sales of air tickets	**311,157**	**65.37**	234,928	94.60
Sales of diversified tourism products, provision of travel and other related services and commission income	**84,671**	**17.79**	13,414	5.40
Sales of products and service income from tourism attractions	**49,388**	**10.38**	–	–
Marketing, event planning and consulting services	**30,783**	**6.46**	–	–
	475,999	**100.00**	248,342	100.00

The Group recorded revenue of approximately HK$476.00 million for the Year, representing an increase of approximately 91.67% as compared to approximately HK$248.34 million (restated) for the year ended 31 December 2018.

The revenue of the Group for the Year increased sharply as compared with the year ended 31 December 2018. The increase in the Group's revenue was mainly attributable to the increase in revenue from both of the diversified tourism products and services segment and the integrated development segment.

Revenue generated from the diversified tourism products and services segment accounted for approximately 83.16% of total revenue of the Group for the Year and accounted for 100.00% (restated) of total revenue of the Group for the year ended 31 December 2018. Under the diversified tourism products and services segment, revenue increased by approximately 59.39% from approximately HK$248.34 million for the year ended 31 December 2018 to approximately HK$395.83 million for the Year. In particular, Dongsheng Beijing, a subsidiary acquired during the year ended 31 December 2018, contributed revenue of approximately HK$166.94 million (2018: approximately HK$3.31 million) to the Group for the Year.

Revenue from the integrated development segment accounted for approximately 16.84% of total revenue of the Group for the Year. Tu Men Travel, a subsidiary acquired by the Group in December 2018, which engages in the operation and management of tourist attractions and culture spots in the PRC, contributed to the Group a full year operating revenue of approximately HK$49.39 million (2018: nil) for the Year. In addition, the Group entered into the business of providing marketing, event planning and consultancy services during the Year, which contributed revenue of approximately HK$30.78 million (2018: nil) to the Group for the Year.

Gross profit

The Group recorded a gross profit of approximately HK$49.13 million (2018: approximately HK$17.79 million (restated)) for the Year, representing an increase of approximately 176.17% as compared to the year ended 31 December 2018. The increase in gross profit was mainly attributable to (i) the increase in revenue for the Year; and (ii) a higher gross profit percentage generated from the businesses of Tu Men Travel and provision of marketing, event planning and consultancy services during the Year as compared to the diversified tourism products and service segment of the Group.

The gross profit margin was approximately 10.32% (2018: approximately 7.16% (restated)) for the Year. The increase in gross profit margin was mainly attributable to the higher gross profit margin of the integrated development segment which commenced operations during the Year.

Loss for the year

Loss from continuing operations of approximately HK$22.92 million (2018: approximately HK$57.06 million (restated)) was recorded for the Year, representing a decrease of approximately 59.83% as compared to the year ended 31 December 2018. The decrease was primarily attributable to the net effect of the following:

i. the increase in revenue and gross profit during the Year as detailed in section headed "Financial Analysis – Operating Performance – Continuing Operations" of this announcement;

ii. the decrease in share of losses of associates of the Group by approximately HK$6.34 million from approximately HK$17.31 million for the year ended 31 December 2018 to approximately HK$10.97 million for the Year due to the shrinkage in the operating scale of China Comfort;

iii. the recognition of valuation gains on investment properties located in the PRC and New Zealand of approximately HK$28.03 million (2018: nil) based on valuations performed by independent professionally qualified valuers; and

iv. the increase in selling, general and administrative expenses by approximately HK$18.53 million from approximately HK$60.74 million (restated) for the year ended 31 December 2018 to approximately HK$79.27 million for the Year mainly due to the net effect of the increases in depreciation of other property, plant and equipment and right-of-use assets, staff costs and impairment losses on the trade receivables and prepayments, deposits and other receivables by approximately HK$7.41 million, HK$12.23 million and HK$7.81 million respectively for the Year and the decrease in total minimum lease payments for leases previously classified as operating leases under HKAS 17 of approximately HK$6.37 million for the Year.

b. *Discontinued operations*

The Group discontinued the operations of financial services segment in May 2019 (2018: discontinued the operations of trading and retail of jewellery segment in September 2018).

Revenue

There was no revenue (2018: approximately HK$0.33 million) generated from the financial services segment for the Year.

Revenue contributed from trading and retails of jewellery segment was approximately HK$26.98 million for the year ended 31 December 2018.

Gross profit

There was no gross profit generated from the financial services segment for the Year. The gross profit of the financial services segment and the trading and retails of jewellery segment were approximately HK$0.33 million and approximately HK$5.98 million respectively for the year ended 31 December 2018.

The gross profit margin were 100.00% and approximately 22.18% for the financial services segment and the trading and retails of jewellery segment respectively for the year ended 31 December 2018.

Loss for the year

The loss of the financial services business for the Year was approximately HK$1.06 million as compared to approximately HK$2.93 million for the year ended 31 December 2018, representing a decrease of approximately 63.82%. The decrease in loss was mainly due to the decrease in selling, general and administrative expenses during the Year.

The profit of the trading and retails of jewellery segment was approximately HK2.49 million for the year ended 31 December 2018.

Asset Structure

As at 31 December 2018 and 2019, assets of the Group included other property, plant and equipment, investment properties, intangible assets, lease prepayments, goodwill, interests in associates, other financial assets, inventories, trade receivables, prepayments, deposits and other receivables, and restricted bank deposits and cash and cash equivalents, details of which are set out below:

i. Other property, plant and equipment of approximately HK$132.17 million (2018: approximately HK$103.58 million) as at 31 December 2019 mainly represented properties and other equipment of the tourist attractions and culture spots owned by Tu Men Travel, a subsidiary of the Group, with a net carrying amount of approximately HK$125.21 million (2018: approximately HK$102.20 million). The increase was attributable to the transfer of land use rights of Tu Men Travel from lease prepayments as at 31 December 2018 to property plant and equipment upon the adoption of HKFRS 16.

ii. Investment properties of approximately HK$159.36 million (2018: nil) as at 31 December 2019 represented fair values of land under development located in the PRC and New Zealand owned by the Group.

iii. Intangible assets were approximately HK$7.81 million (2018: approximately HK$18.13 million) as at 31 December 2019, which consisted of travel licences, software and other intangible assets. The decrease in intangible assets were mainly attributable to the net effect of (i) the disposal of securities licences with a net carrying amount of approximately HK$16.39 million (2018: nil) through the disposal of financial services business; and (ii) the acquisition of a travel licence and other intangible assets of approximately HK$6.10 million through the acquisition of Jinlv Shidai.

iv. Goodwill was approximately HK$15.30 million (2018: approximately HK$12.99 million) as at 31 December 2019, which were derived from the acquisition of Tu Men Travel and Jinlv Shidai.

v. Interests in associates were approximately HK$343.52 million (2018: approximately HK$391.25 million) as at 31 December 2019, which were mainly attributable to the intangible assets, including trademark and distribution network, owned by China Comfort. The decrease in the interests in associates was mainly due to the change of Dakun Zhifang becoming a subsidiary of the Group as detailed in paragraph (a) under section headed "Material Acquisition, Investments and Disposal" of this announcement.

vi. There was no (2018: approximately HK$71.06 million) other financial assets as at 31 December 2019. As at 31 December 2018, other financial assets represented a loan to Dakun Zhifang, a then associate of the Group. Upon the change of Dakun Zhifang becoming a subsidiary of the Group, the loan was eliminated on the Group's consolidated accounts.

vii. Inventories were approximately HK$193.36 million (2018: approximately HK$69.99 million) as at 31 December 2019, which mainly represented the properties and certain pieces of land under development in New Zealand and the PRC of approximately HK$51.83 million (2018: approximately HK$59.65 million) and approximately HK$141.22 million (2018: approximately HK$10.34 million) respectively. The increase in inventories was mainly due to the payment for acquisition of a piece of land in the PRC during the Year.

viii. Trade receivables were approximately HK$53.88 million (2018: approximately HK$25.58 million) as at 31 December 2019, which were mainly attributable to the diversified tourism products and services segment with an aggregate amount of approximately HK$43.08 million (2018: approximately HK$25.29 million).

ix. Prepayments, deposits and other receivables were approximately HK$162.21 million (2018: approximately HK$81.68 million) as at 31 December 2019, which mainly represented a loan to China Comfort of approximately HK$36.07 million (2018: loans to associates of approximately HK$62.90 million), prepayments for development of tourism attraction projects of approximately HK$34.88 million (2018: approximately HK$6.76 million) and prepayment on a piece of land in the PRC of approximately HK$61.66 million (2018: nil). The increase in prepayments, deposits and other receivables was mainly due to the above-mentioned prepayment on a piece of land in the PRC.

x. The aggregated amount of restricted bank deposits and cash and cash equivalents were approximately HK$120.93 million (2018: approximately HK$200.67 million), of which approximately HK$96.93 million (2018: approximately HK$47.35 million) , approximately HK$0.72 million (2018: approximately HK$8.52 million) and approximately HK$8.54 million (2018: approximately HK$8.70 million) were denominated in Renminbi ("**RMB**"), New Zealand dollars ("**NZD**") and the United States dollars ("**USD**"), respectively.

Liability Structure

As at 31 December 2018 and 2019, liabilities of the Group mainly included trade payables, other payables and accruals and borrowings, details of which are set out below:

i. Trade payables were approximately HK$40.34 million (2018: approximately HK$26.70 million) as at 31 December 2019, which were mainly attributable to the diversified tourism products and services segment with an aggregate amount of approximately HK$26.71 million (2018: approximately HK$24.95 million).

ii. Other payables and accruals were approximately HK$278.18 million (2018: approximately HK$170.21 million) as at 31 December 2019, which mainly represented amounts due to related parties of approximately HK$125.47 million (2018: approximately HK$51.00 million), consideration payable regarding the acquisition of Tu Men Travel of approximately HK$40.87 million (2018: approximately HK$42.24 million) and land and construction costs payable of approximately HK$39.50 million (2018: approximately HK$45.84 million).

iii. Short-term borrowings were approximately HK$17.94 million (2018: approximately HK$13.23 million) as at 31 December 2019, details of which are set out in section headed "Liquidity and Financial Resources" of this announcement.

iv. Long-term borrowings were approximately HK$109.39 million (2018: nil) as at 31 December 2019, details of which are set out in section headed "Liquidity and Financial Resources" of this announcement.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group's operations and investments have continued to be mainly supported by internal resources and borrowings. In addition, proceeds raised from the disposal of subsidiaries and top-up placing provided extra funding to the Group. Other than the funding assigned to the specific projects, the usages of funding are monitored by the Company. As at 31 December 2019, the aggregated amount of cash and cash equivalents and restricted bank deposit of the Group were approximately HK$120.93 million (2018: approximately HK$200.67 million), representing a decrease of approximately 39.74% as compared to 31 December 2018.

The decrease in cash and cash equivalents and restricted bank deposit was mainly attributable to the payment for acquisition of certain pieces of land in the PRC of approximately HK$128.32 million.

As at 31 December 2019, short-term borrowings of the Group of approximately HK$17.94 million were denominated in NZD and borrowings from a bank in New Zealand, which were secured as detailed in the section headed "Pledge of Assets" of this announcement, bearing interest at a rate of 3.99% per annum and repayable within a year. As at 31 December 2018, short-term borrowings of the Group of approximately HK$13.23 million were denominated in RMB and borrowings from related parties, which were unsecured, bearing interest at a rate of 4.35% per annum and repayable within one year.

Long-term borrowings of the Group of approximately HK$109.39 million (2018: nil) were denominated in RMB and borrowings from non-controlling shareholders of a subsidiary of the Group, which were unsecured, interest-free and repayable after one year.

As at 31 December 2019, the Group had a current ratio of approximately 1.49 (2018: approximately 1.79), and the gearing ratio was approximately 1.35% (calculated by dividing net debt (defined as short-term borrowings and long-term borrowings, net of cash and cash equivalents) by total equity). As at 31 December 2018, the gearing ratio was not applicable as the Group had net cash and cash equivalents status of approximately HK$175.65 million.

FOREIGN EXCHANGE EXPOSURE

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated accounts. If RMB appreciates/depreciates against HK$, the Group would record a(n) increase/decrease in the Group's net asset value. During the Year, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had capital commitments relating to the investments in equity securities and developments of investment properties of approximately HK$536.39 million in aggregate (2018: investment in equity securities of approximately HK$82.66 million).

MATERIAL ACQUISITION, INVESTMENTS AND DISPOSAL

a. Change of Dakun Zhifang from an associate to a subsidiary of the Group

Reference is made to the announcements of the Company dated 12 June 2018 and 7 August 2018 in relation to, inter alia, the acquisition of 40% equity interest in Dakun Zhifang.

Pursuant to a shareholders' resolution of Dakun Zhifang passed on and the revised articles of association dated 29 March 2019, the composition of the board of directors of Dakun Zhifang has been amended (the "**Amendment**"). Pursuant to the Amendment, the directors of the Company consider that the Group has obtained the power to control Dakun Zhifang through its power to control the board of directors of Dakun Zhifang from that date onwards. 40% equity interest of Dakun Zhifang was acquired by the Group on 7 August 2018 and before the Amendment, Dakun Zhifang was accounted for using the equity method in the Group's consolidated financial statements.

The operating results and financial performance of Dakun Zhifang have been consolidated into the Group's financial statements as a subsidiary since 29 March 2019 (the date of becoming a subsidiary of the Group).

b. Acquisition of 51% equity interest in Jinlv Shidai

Reference is made to the announcements of the Company dated 18 November 2019 and 4 February 2020 in relation to, inter alia, the acquisition of 51% equity interest in Jinlv Shidai.

Pursuant to an agreement dated 18 November 2019 entered into between, among others, certain independent third parties of the Group (collectively the "**Vendors**") and Beijing Huayu Tourism Development Co., Limited* (北京華譽旅遊開發有限公司) ("**Huayu**"), an indirect wholly-owned subsidiary of the Company, Huayu acquired 51% equity interest in Jinlv Shidai from the Vendors for cash consideration of approximately RMB0.41 million (equivalent to approximately HK$0.46 million). The transaction was completed in November 2019 and Jinlv Shidai became a subsidiary of the Group since then. Jinlv Shidai engages in sales of air tickets and provision of other tourism-related services.

c. **Disposal of 100% equity interest in Orient Victory International Financial Company Limited ("OVIF")**

Reference is made to the announcement of the Company dated 18 April 2019 in relation to the disposal of 100% interest in OVIF.

Pursuant to an agreement dated 18 April 2019 entered into between Broad Vantage Limited ("**Board Vantage**"), an indirect wholly-owned subsidiary of the Company, and Mr. Shi Baodong ("**Mr. Shi**"), controlling shareholder of the Company, Broad Vantage transferred 100% interest in OVIF to Mr. Shi for cash consideration of HK$15.90 million. The principal activities of OVIF and its subsidiaries are the provision of financial services through the licensed corporations which carry the Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the SFO. Completion of the disposal of 100% interest in OVIF took place on 15 May 2019 in accordance with the terms and conditions of the agreement.

The consolidated results of the OVIF and its subsidiaries for the period from 1 January 2019 to 15 May 2019 have been presented as discontinued operation in the Group's consolidated financial statements and the comparative figures of the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, and corresponding notes have been restated to show the discontinued operation separately from continuing operations.

PLEDGE OF ASSETS

As at 31 December 2019, the Group pledged the entire equity interest in Shenzhen Dong Sheng Hua Yu Commercial Management Company Limited* (深圳東勝華譽商業管理有限公司), an indirect wholly-owned subsidiary of the Company, and the entire issued share capital of Donghui Hong Kong Holdings Limited, an indirect wholly-owned subsidiary of the Company, to secure the issue of the perpetual convertible securities issued on 30 March 2016 in an aggregate principal amount of approximately HK$70.00 million (2018: approximately HK$170.00 million). Please refer to the Company's announcement dated 30 March 2016 and the Company's circular dated 29 January 2016 for details. In addition, the Group's bank loans were secured by the Group's lands and properties under development located in New Zealand, and guaranteed by the controlling shareholder of the Company, Mr. Shi and the Group's subsidiary in New Zealand.

MATERIAL CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no (2018: no) material contingent liabilities.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2019, the total number of employees of the Group was approximately 270 (2018: approximately 200). Staff costs (including Directors' emoluments) amounted to approximately HK$41.91 million was incurred for the Year (2018: approximately HK$29.68 million (restated)).

In addition to salary, other fringe benefits such as medical insurance and mandatory provident fund schemes for employees, are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment to their salaries comparable to that of the market. Individual employees may also receive a discretionary bonus at the end of each year based on their individual performance.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the Year (2018: nil).

EVENTS AFTER THE REPORTING PERIOD

a. Notice of cancellation of seventh distribution payment of the unlisted perpetual convertible securities

Reference is made to the prospectus issued by the Company dated 29 September 2016 in relation to the open offer of offered shares with an alternative of unlisted perpetual convertible securities on the basis of one offered share for every five ordinary shares held on 28 September 2016.

As detailed in the Company's announcement dated 9 March 2020, notice is given that the seventh distribution at the distribution rate of 6% per annum on the perpetual convertible securities scheduled to be made to the convertible securities holders on Friday, 24 April 2020 had been cancelled in accordance with the Condition 4(B) of the terms and conditions of the perpetual convertible securities.

b. Disposal of 49% equity interest in China Comfort

Reference is made to the announcement of the Company dated 26 March 2020 in relation to, inter alia, the disposal of 49% equity interest in China Comfort, which constitutes a very substantial disposal of the Company.

Pursuant to an equity transfer agreement dated 26 March 2020 entered into between Shenzhen Dongsheng Huamei Cultural Travel Company Limited* (深圳東勝華美文化旅遊有限公司) ("**Dongsheng Huamei**"), an indirect wholly-owned subsidiary of the Company, and Orient Victory Cultural Tourism Group Co., Limited* (東勝文化旅遊集團有限公司) ("**OVCT**"), a company incorporated in the PRC and is owned as to 98% by Mr. Shi, Dongsheng Huamei agreed to dispose of 49% equity interest in China Comfort to OVCT for cash consideration of RMB320.00 million (equivalent to approximately HK$358.40 million). The principal activities of China Comfort and its subsidiaries are the provision of travel agent services in the PRC, including domestic travel, outbound travel and inbound travel, and provision of brand name for the franchisees. The conditions precedent (including the approval of the equity transfer agreement and the transactions contemplated thereunder by the independent shareholders of the Company) as set out in the equity transfer agreement have not been fulfilled as at the date of this announcement.

c. Impact of the coronavirus outbreak

The coronavirus outbreak since early 2020 has brought additional uncertainties to the Group's operating environment and may impact the Group's operations and financial position. The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. These contingency measures include: negotiating with suppliers, service providers and customers to postpone selling tourism-related products and services, continuously monitoring the collection of trade receivables from customers and implementing comprehensive cost containment plans. The Group will keep the contingency measures under review as the situation evolves.

As far as the Group's businesses are concerned, the coronavirus outbreak may cause decline in tourism-related sales as travelling is restricted and the business of some tourism attractions is suspended. Management of the Company consider that such impact is temporary and could be reduced as the Group's tourism-related operations are expected to be gradually resumed upon cessation of the coronavirus outbreak. Based on the information currently available, the management estimated that the coronavirus outbreak may impact the procurement willingness and payment abilities of certain small and medium-sized customers, mainly travel agents, and as a result, may lead to impairment losses on trade receivables and sales reduction from these customers in future periods. Such impact has not been reflected in the consolidated financial statements as at 31 December 2019.

Up to the date of this announcement, the Group is still in the process of assessing the impacts of the coronavirus outbreak on the performance of the relevant segments and is currently unable to estimate the quantitative impacts to the Group. The Group will pay close attention to the development of the coronavirus outbreak and continue to perform assessment of its impact and take relevant measures.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the "Corporate Governance Code and Corporate Governance Report" (the "**CG Code**") contained in Appendix 14 of the Listing Rules throughout the Year except for a deviation from code provisions A.2.1 and A.6.7 of CG Code.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Despite the responsibilities of the chairman and the chief executive officer of the Company vested in Mr. Shi during the Year, all major decisions are made in consultation with the Board. The Board considers that there is sufficient balance of power; and the current corporate arrangement maintains a strong management position of the Company. Save as the deviation from the code provision A.2.1 of the CG Code, in the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code during the Year and, where appropriate, the applicable recommended best practices of the CG Code.

The code provision A.6.7 of the CG Code requires that the independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Dong Xiaojie was unable to attend the annual general meeting of the Company held on 28 June 2019 due to other important engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors.

Specific enquiries have been made with all the Directors, who have confirmed that they complied with the required standards as set out in the Model Code throughout the Year.

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

During the Year, the Company did not redeem any of its shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any such shares.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the Listing Rules. The Audit Committee presently comprises two independent non-executive Directors, namely Mr. Suei Feng-jih (being the chairman) and Mr. He Qi, and a non-executive Director, namely, Ms. Song Sining.

The Group's annual results for the Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the Year and the amounts were found to be in agreement.

The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The electronic version of this announcement will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.orientvictory.com.hk).

APPRECIATION

The Board would like to express its sincere thanks to our shareholders and business partners for their continuous support and our staff for their dedication and hard work throughout the Year.

On behalf of the Board
Orient Victory Travel Group Company Limited
Shi Baodong
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 31 March 2020

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Shi Baodong, Mr. Zhao Huining and Mr. Mo Yueming, one non-executive Director, being Ms. Song Sining, and three independent non-executive Directors, being Mr. Dong Xiaojie, Mr. He Qi and Mr. Suei Feng-jih.