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## **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)**

## **SHARE TRANSACTION IN RELATION TO COOPERATION AGREEMENT INVOLVING ALLOTMENT AND ISSUE OF NEW SHARES**

The Board is pleased to announce that on 18 November 2019 (after trading hours), Huayu, an indirect wholly-owned subsidiary of the Company, and the Meidou Shareholders entered into the Cooperation Agreement in relation to the management and operation of the Target Company to be jointly acquired by Huayu and Meidou in the proportion of 51% and 49%, respectively, from Independent Third Parties. As at the date of this Agreement, Meidou is owned as to 67.5% by the Meidou Shareholder A and 22.5% by the Meidou Shareholder B. Upon completion of the Acquisition, the Target Company will become a non-wholly subsidiary of the Company and each of Meidou and the Meidou Shareholder A will become a connected person of the Company at subsidiary level. Pursuant to the Cooperation Agreement, Huayu shall acquire from Meidou a maximum of 40% equity interest in the Target Company upon reaching certain thresholds, which shall be satisfied by the allotment and issue of new Shares to Meidou (or its nominee(s)).

### **LISTING RULES IMPLICATIONS**

As the Equity Transfer Arrangement contemplated under the Cooperation Agreement involves the allotment and issue of new Shares, the Cooperation Agreement constitutes a share transaction of the Company and is therefore subject to reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules. If the Company is required to proceed with the Equity Transfer Arrangement, the Company will comply with the relevant requirements under the Listing Rules including Chapter 14A of the Listing Rules.

The Board is pleased to announce that on 18 November 2019 (after trading hours), Huayu, an indirect wholly-owned subsidiary of the Company, and the Meidou Shareholders entered into the Cooperation Agreement in relation to the management and operation of the Target Company to be jointly acquired by Huayu and Meidou in the proportion of 51% and 49%, respectively, from Independent Third Parties. As at the date of this Agreement, Meidou is owned as to 67.5% by the Meidou Shareholder A and 22.5% by the Meidou Shareholder B. Upon completion of the Acquisition, the Target Company will become a non-wholly owned subsidiary of the Company and each of Meidou and the Meidou Shareholder A will become a connected person of the Company at subsidiary level. Pursuant to the Cooperation Agreement, Huayu shall acquire from Meidou a maximum of 40% equity interest in the Target Company upon reaching certain thresholds, which shall be satisfied by the allotment and issue of new Shares to Meidou (or its nominee(s)).

Principal terms of the Cooperation Agreement are summarized below:

**Date:** 18 November 2019

**Parties:** (1) Huayu; and  
(2) the Meidou Shareholders

**The Acquisition:** Huayu and the Meidou Shareholders will jointly acquire the Target Company at the total consideration of RMB0.81 million (equivalent to approximately HK\$0.90 million) from Independent Third Parties. Upon completion of the Acquisition, the Target Company will be owned as to 51% by the Group and 49% by Meidou and will become a non-wholly owned subsidiary of the Company. The consideration for the Acquisition will be settled by Huayu and Meidou based on their shareholding interest in the Target Company.

**Management and operation of the Target Company:** The board of directors of the Target Company will consist of 5 directors. Huayu and Meidou are entitled to nominate, respectively, three and two directors and the legal representative of the Target Company shall be one of the directors nominated by Huayu.

The total registered capital of the Target Company is RMB5.0 million (equivalent to approximately HK\$5.57 million), which will be contributed as to 51% by Huayu and 49% by Meidou (i.e. RMB2.55 million by Huayu and RMB2.45 million by Meidou).

Huayu shall be mainly responsible for the management and capital need in support of the operation of the Target Company while the Meidou Shareholders (through their operation team) shall be mainly in charge of the day-to-day operation of the Target Company and ensure that the targets set for the business of the Target Company are carried through. Please refer to the paragraph headed “Distribution of Profit” below for details of the targets.

Pursuant to the Cooperation Agreement, the Meidou Shareholders shall set up an operation team for the purpose of operating the business of the Target Company and transfer all the travel-related business operating under their controlled entities to the Target Company by not later than 1 January 2020.

## **DISTRIBUTION OF PROFIT IN THE TARGET COMPANY**

Pursuant to the Cooperation Agreement, as the Meidou Shareholders (through their operation team) shall be mainly in charge of the operation of the business of the Target Company, Meidou shall be entitled to a higher distribution ratio as to the profit made by the Target Company.

For the financial years ending 31 December 2020 and 2021, if the coefficient demonstrated below (“**Coefficient**”) is equal to or higher than 50%, Meidou shall be entitled to 70% of the profit after tax in that financial year. For the year ending 31 December 2022, if the average Coefficient of the two financial years ending 31 December 2020 and 2021 and the Coefficient for the year ending 31 December 2022 are equal to or higher than 80%, Meidou shall be entitled to 70% of the profit after tax. Otherwise, the profit after tax for the year ending 31 December 2022 shall be distributed in accordance with the equity holding in the Target Company even if Meidou may obtain a Coefficient equal to or higher than 80% in that year.

The business targets of the Target Company and the calculation of the Coefficient are set out below:

| <b>Financial Year</b> | <b>Targets</b>                           |  |
|-----------------------|--|--|
|                       | <b>Turnover</b><br><i>RMB'000</i><br>(A) | <b>Profit after tax</b><br><i>RMB'000</i><br>(B) |
| 2020                  | 55,000                                   | 700  |
| 2021                  | 71,500                                   | 910  |
| 2022                  | 85,800                                   | 1,092  |
| 2023                  | 94,380                                   | 1,201  |
| 2024                  | 99,099                                   | 1,261  |

$$\text{Coefficient (\%)} = \frac{60\% \times \text{actual turnover}}{(A)} + \frac{40\% \times \text{actual profit after tax}}{(B)}$$

For the financial years ending 31 December 2023 and 2024, in the event that 20% equity interest held by Meidou in the Target Company is transferred to Huayu under the Equity Transfer Arrangement and the Coefficient is greater than 80%, Meidou shall be entitled to 42% of the profit after tax in that financial year.

From the year ending 31 December 2025 and onwards, each of Huayu and Meidou shall be entitled to distribution of the profit after tax of the Target Company in accordance with their shareholding interest in the Target Company.

## **EQUITY TRANSFER ARRANGEMENT**

If the average Coefficient of the years ending 31 December 2020, 2021 and 2022 is equal to or higher than 80%, Huayu shall acquire from Meidou, and Meidou shall sell to Huayu, 20% of the equity interest in the Target Company. The purchase price will be determined with reference to the fair value of the Target Company as at 31 December 2022.

Huayu shall also acquire from Meidou, and Meidou shall further sell to Huayu, another 20% of the equity interest in the Target Company if the average Coefficient of the years ending 31 December 2023 and 2024 is equal to or higher than 80%. The purchase price will also be determined with reference to the fair value of the Target Company as at 31 December 2024.

The purchase price under the Equity Transfer Arrangement shall be satisfied by the allotment and issue of new Shares, which will be subject to Shareholders' approval and the listing approval from the Stock Exchange.

If the Company is required to proceed with the Equity Transfer Arrangement, the Company will make further announcement and comply with the relevant requirements under the Listing Rules including Chapter 14A of the Listing Rules.

## **REASONS FOR AND BENEFITS OF THE COOPERATION**

The Group is principally engaged in the provision of diversified tourism products such as air tickets and other travel related services, integrated development involves the development and operation of tourism spots and culture spots, visitor accommodation and properties for sale and investment holding business.

The Company has been researching and developing opportunities to expand its travel-related business in order to enhance the core competitiveness of the Group. As the Meidou Shareholders have long-term business relationship with various airlines which operate South-east Asia routes, it is expected by the Board that the cooperation with the Meidou Shareholders will enable the Group to expand its business in the sale of air tickets and allow the Group to establish business relationship with other airlines which in turn enhance the presence of the Group in the travel industry.

Further, as the Group is only required to proceed with the Equity Transfer Arrangement upon reaching certain thresholds as disclosed in this announcement, the Directors are of the view that the Equity Transfer Arrangement, if materialized, would achieve better return for the Shareholders given the Target Company shall have at that time maintained a stable income and a stable business relationship with other stakeholders in the travel industry.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the Cooperation Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

## **INFORMATION OF THE PARTIES**

Huayu, a limited liability company incorporated in the PRC, is principally engaged in investment holding. It is an indirectly wholly-owned subsidiary of the Company.

The Target Company is a limited liability company incorporated in the PRC licensed to carry on business in the provision of diversified tourism products and services with registered capital of RMB5.0 million (non-paid up).

Each of the Meidou Shareholders is a veteran of the tourism industry with many years of successful experience in operating tourism and has a good reputation in the industry and in possession of an excellent operation and management team. Further, each of the Meidou Shareholders has long-term relationship with various airlines which operate South-east Asia routes. Both of them will be in charge of the business direction and results of the Target Company.

Meidou, a limited liability company incorporated in the PRC, is an investment holding company. As at the date of this announcement, Meidou is held as to 67.5% by the Meidou Shareholder A and 22.5% by the Meidou Shareholder B. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the vendors of the Target Company is an Independent Third Party and is a third party independent of Meidou and the Meidou Shareholders.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of Meidou and the Meidou Shareholders is third party independent of and not connected with the Company and its connected persons.

## **LISTING RULES IMPLICATIONS**

As the Equity Transfer Arrangement contemplated under the Cooperation Agreement involves the allotment and issue of new Shares, the Cooperation Agreement constitutes a share transaction of the Company and is therefore subject to reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules. If the Company is required to proceed with the Equity Transfer Arrangement, the Company will comply with the relevant requirements under the Listing Rules including Chapter 14A of the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

|                       |   |
|-----------------------|---|
| “Acquisition”         | acquisition of the Target Company by Huayu and Meidou. Upon completion of the acquisition, the Target Company will be owned as to 51% by the Group and 49% by Meidou and will become a non-wholly owned subsidiary of the Company |
| “Board”               | the board of Directors  |
| “Company”             | Orient Victory Travel Group Company Limited (東勝旅遊集團有限公司), a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange  |
| “connected person(s)” | has the same meaning ascribed to it under the Listing Rules   |

|                                |   |
|--------------------------------|---|
| “Cooperation Agreement”        | the cooperation agreement dated 18 November 2019 and entered into between Huayu and Meidou Shareholders in relation to the Acquisition and the management and operation of the Target Company |
| “Director(s)”                  | the directors of the Company  |
| “Equity Transfer Arrangement”  | the requirement of Huayu to purchase, and the requirement of Meidou to sell, a maximum of 40% equity interest in the Target Company upon reaching certain thresholds                          |
| “HK\$”                         | Hong Kong dollars, the lawful currency of Hong Kong   |
| “Huayu”                        | Beijing Huayu Tourism Development Co., Limited* 北京華譽旅遊開發有限公司, an indirect wholly-owned subsidiary of the Company  |
| “Group”                        | the Company and its subsidiaries  |
| “Independent Third Party(ies)” | third party(ies) independent of the Company and its/their connected persons   |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Meidou”                       | Beijing Meidou International Travel Co. Limited* 北京美都國際旅行社有限公司  |
| “Meidou Shareholder A”         | Liu Wei* (劉偉)   |
| “Meidou Shareholder B”         | Guo Bin* (郭彬)   |
| “Meidou Shareholders”          | Meidou Shareholder A and Meidou Shareholder B   |
| “PRC”                          | the People’s Republic of China  |
| “RMB”                          | Renminbi, the lawful currency of the PRC  |
| “Share(s)”                     | share(s) of the Company   |
| “Shareholder(s)”               | holder(s) of the share(s) of the Company from time to time  |

|                  |  |
|------------------|--|
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited                    |
| “Target Company” | Beijing Jinlu Shidai Tourism Co., Limited* (北京金旅時代旅行社有限公司) |
| “%”              | per cent   |

By order of the Board  
**Orient Victory Travel Group Company Limited**  
**Shi Baodong**  
*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 18 November 2019

*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. Swei Feng-jih.*

*For illustrative purpose of this announcement and unless otherwise specified, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.1137.*

\* *For identification purpose only*