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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)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

### **HIGHLIGHTS:**

- The Group recorded revenue of approximately HK\$208.3 million (2019: approximately HK\$476.0 million) for the Year, representing a decrease of approximately 56% as compared to the corresponding period of last year. As a result of the Pandemic, revenue from the diversified tourism products and services businesses were inevitably affected. Nevertheless, the Group's revenue from the integrated development businesses, which served as the Group's alternative business drive, increased during the Year as compared to the corresponding period of last year.
- Loss for the Year attributable to the equity owners of the Company was approximately HK\$23.6 million (2019: approximately HK\$34.1 million), representing a decrease of approximately 31% as compared to the corresponding period of last year.
- Basic and diluted loss per share from continuing operations attributable to the equity owners of the Company for the Year was HK0.30 cent (2019: HK0.30 cent).
- The Board does not recommend the payment of a final dividend for the Year (2019: 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 2020 (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 2020

(Expressed in Hong Kong dollars (“**HK\$**”))

	Notes	2020 \$'000	2019 \$'000 (Restated) (Note)
<b>Continuing operations:</b>			
<b>Revenue</b>	3	<b>208,286</b>	475,999
Cost of sales and services		<u>(177,439)</u>	<u>(426,874)</u>
<b>Gross profit</b>		<b>30,847</b>	49,125
Other income		<b>2,939</b>	1,707
Selling, general and administrative expenses		<b>(67,532)</b>	(79,273)
Impairment of goodwill		<b>(15,404)</b>	–
Share of loss of an associate		–	(1,230)
Valuation gains on investment properties		<b>1,457</b>	28,025
Gain on disposal of interest in a subsidiary		<u><b>1,006</b></u>	<u>–</u>
<b>Loss from operations</b>		<b>(46,687)</b>	(1,646)
Finance costs	4	<u><b>(10,995)</b></u>	<u>(5,971)</u>
<b>Loss before taxation</b>	4	<b>(57,682)</b>	(7,617)
Income tax	5	<u><b>1,326</b></u>	<u>(5,558)</u>
<b>Loss for the year from continuing operations</b>		<b>(56,356)</b>	(13,175)
<b>Discontinued operations:</b>			
Profit/(loss) for the year from discontinued operations		<u><b>11,430</b></u>	<u>(10,807)</u>
<b>Loss for the year</b>		<u><u><b>(44,926)</b></u></u>	<u><u>(23,982)</u></u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)***For the year ended 31 December 2020**(Expressed in HK\$)*

	<i>Note</i>	<b>2020</b> <b>\$'000</b>	2019 \$'000 <i>(Restated)</i> <i>(Note)</i>
<b>Attributable to:</b>			
Equity owners of the Company			
– continuing operations		<b>(34,989)</b>	(23,290)
– discontinued operations		<b>11,430</b>	(10,807)
		<b>(23,559)</b>	(34,097)
Non-controlling interests			
– continuing operations		<b>(21,367)</b>	10,115
<b>Loss for the year</b>		<b>(44,926)</b>	(23,982)
<b>Basic and diluted earning/(loss) per share</b>	<b>6</b>		
– continuing operations		<b>(HK0.30 cent)</b>	(HK0.30 cent)
– discontinued operations		<b>HK0.09 cent</b>	(HK0.08 cent)

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

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2020*

*(Expressed in HK\$)*

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
		<i>(Restated)</i>
		<i>(Note)</i>
<b>Loss for the year</b>	(44,926)	(23,982)
<b>Other comprehensive income for the year (after tax)</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
– exchange differences on translation of financial statements of foreign operations	44,554	(16,316)
– exchange reserve recycled to profit or loss upon disposal of subsidiaries	(121)	–
	44,433	(16,316)
<b>Total comprehensive income for the year</b>	(493)	(40,298)
<b>Attributable to:</b>		
Equity owners of the Company		
– continuing operations	6,651	(38,049)
– discontinued operations	11,430	(10,807)
	18,081	(48,856)
Non-controlling interests		
– continuing operations	(18,574)	8,558
<b>Total comprehensive income for the year</b>	(493)	(40,298)

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

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 December 2020*

*(Expressed in HK\$)*

	<i>Notes</i>	<b>2020</b> <b>\$'000</b>	2019 \$'000
<b>Non-current assets</b>			
Investment properties		<b>139,403</b>	159,358
Other property, plant and equipment		<b>131,395</b>	132,170
		<b>270,798</b>	291,528
Intangible assets		<b>4,055</b>	7,813
Goodwill		–	15,298
Interest in an associate		–	343,518
Deferred tax assets		<b>2,373</b>	2,396
		<b>277,226</b>	660,553
<b>Current assets</b>			
Inventories		<b>214,620</b>	193,362
Trade receivables	7	<b>19,736</b>	53,875
Prepayments, deposits and other receivables		<b>109,719</b>	162,205
Restricted bank deposits		<b>2,239</b>	3,123
Cash and cash equivalents		<b>179,309</b>	117,807
Assets held for sale		<b>47,538</b>	–
		<b>573,161</b>	530,372
<b>Current liabilities</b>			
Trade payables	8	<b>26,810</b>	40,338
Contract liabilities		<b>9,555</b>	15,229
Other payables and accruals		<b>92,560</b>	278,177
Short-term borrowings	9	–	17,935
Lease liabilities		<b>1,740</b>	3,918
Provisions		<b>1,034</b>	976
		<b>131,699</b>	356,573
<b>Net current assets</b>		<b>441,462</b>	173,799
<b>Total assets less current liabilities</b>		<b>718,688</b>	834,352

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***As at 31 December 2020**(Expressed in HK\$)*

	<i>Notes</i>	<b>2020</b> <b>\$'000</b>	2019 \$'000
<b>Non-current liabilities</b>			
Long-term borrowings	9	–	109,387
Lease liabilities		<b>435</b>	1,907
Deferred tax liabilities		<b>13,031</b>	13,429
Provisions		<u><b>2,669</b></u>	<u>3,467</u>
		<u><b>16,135</b></u>	<u>128,190</u>
<b>NET ASSETS</b>		<u><b>702,553</b></u>	<u>706,162</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	10	<b>64,610</b>	64,610
Perpetual convertible securities		<b>296,274</b>	296,274
Reserves		<u><b>263,936</b></u>	<u>245,707</u>
<b>Total equity attributable to equity owners of the Company</b>		<b>624,820</b>	606,591
<b>Non-controlling interests</b>		<u><b>77,733</b></u>	<u>99,571</u>
<b>TOTAL EQUITY</b>		<u><b>702,553</b></u>	<u>706,162</u>

# 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**").

During the Year, the Group is principally engaged in the diversified tourism products and services businesses, integrated development businesses and investment holding business.

## 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 amendments to 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 2020 comprise the Company and its subsidiaries.

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 Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 3, *Definition of a Business*

The amendment did not have a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these financial statements. Other than these amendments, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### **3 REVENUE AND SEGMENT REPORTING**

**(a) Revenue**

The Group is principally engaged in the provision of diversified tourism products and services businesses, 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:

	2020 \$'000	2019 \$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or service lines:		
– Sales of air tickets	37,817	311,157
– Sales of diversified tourism products, provision of travel and other related services and commission income	53,966	84,671
– Sales of products and service income from tourism attractions	29,806	49,388
– Marketing, event planning and consulting services	40,840	30,783
– Sales of properties	45,857	–
	<u>208,286</u>	<u>475,999</u>

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.

For the year ended 31 December 2019, the Group had no individual customer with whom transactions exceeding 10% of the Group's revenue.

For the Year, the Group had transactions with a customer and entities under its control in the integrated development segment contributing total revenue of approximately \$34,598,000 to the Group, representing over 10% of the Group's revenue for the Year. The corresponding total revenue of this customer and entities under its control for the year ended 31 December 2019 is not disclosed as the respective revenue did not contribute over 10% of the Group's total revenue for the year ended 31 December 2019.

**(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 involves equity investment activities.

Discontinued reportable segments:

- The interest in an associate, China Comfort Tourism Group Company Limited\* (中國康輝旅遊集團有限責任公司) (“**China Comfort**”).
- The financial services segment, which mainly involved the provision of advisory services on corporate finance, securities and asset management.

**(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 Year and the year ended 31 December 2019 is set out below.

	Continuing operations								Discontinued operations							
	Diversified tourism products and services		Integrated development		Investment holding		Sub-total		China Comfort		Financial services		Sub-total		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2019	2020	2019	2020	2019	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
					(Restated) (Note)		(Restated) (Note)		(Restated) (Note)			(Restated) (Note)		(Restated) (Note)		
Disaggregated by timing of revenue recognition:																
- Point in time	91,783	395,828	101,326	76,312	-	-	193,109	472,140	-	-	-	-	-	-	193,109	472,140
- Over time	-	-	15,177	3,859	-	-	15,177	3,859	-	-	-	-	-	-	15,177	3,859
Revenue from external customers	91,783	395,828	116,503	80,171	-	-	208,286	475,999	-	-	-	-	-	-	208,286	475,999
Segment results	(22,281)	(10,605)	(15,600)	28,499	(8,806)	(19,540)	(46,687)	(1,646)	11,430	(9,744)	(1,063)	11,430	(10,807)	(35,257)	(12,453)	
Finance costs							(10,995)	(5,971)	-	-	-	-	-	-	(10,995)	(5,971)
Loss before taxation							(57,682)	(7,617)	11,430	(9,744)	(1,063)	11,430	(10,807)	(46,252)	(18,424)	
Segment assets	27,291	78,749	556,999	606,297	84,549	41,431	668,839	726,477	-	343,518	-	-	343,518	668,839	1,069,995	
Corporate and other unallocated assets														181,548	120,930	
Total assets														850,387	1,190,925	
Segment and total liabilities	35,554	66,734	65,990	313,646	46,290	104,383	147,834	484,763	-	-	-	-	-	147,834	484,763	
Other segment information:																
Share of losses of associates	-	-	-	-	-	1,230	-	1,230	14,256	9,744	-	14,256	9,744	14,256	10,974	
Gain on disposal of property, plant and equipment, net	-	-	(37)	-	-	-	(37)	-	-	-	-	-	-	(37)	-	
Impairment of goodwill	2,586	-	12,818	-	-	-	15,404	-	-	-	-	-	-	15,404	-	
Gain on disposal of interest in a subsidiary	-	-	(1,006)	-	-	-	(1,006)	-	-	-	-	-	-	(1,006)	-	
Depreciation and amortisation	6,443	1,495	4,724	6,194	950	387	12,117	8,076	-	-	-	-	-	12,117	8,076	
Capital expenditure	21	3,581	2,722	7,655	2,319	50	5,062	11,286	-	-	-	-	-	5,062	11,286	

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

**(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 interest in an associate 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		Non-current assets		Current assets		Total assets	
	(Continuing operations)							
	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Hong Kong (place of domicile)	27,368	210,261	2,005	349,908	21,048	45,630	23,053	395,538
Mainland China	135,061	265,738	274,922	280,367	488,809	428,805	763,731	709,172
New Zealand	45,857	–	299	30,278	63,304	55,937	63,603	86,215
	<u>208,286</u>	<u>475,999</u>	<u>277,226</u>	<u>660,553</u>	<u>573,161</u>	<u>530,372</u>	<u>850,387</u>	<u>1,190,925</u>

**4 LOSS BEFORE TAXATION**

Loss before taxation is arrived at after charging:

**(a) Finance costs**

	2020	2019
	\$'000	\$'000
Interest on bank loans	171	587
Interest on lease liabilities	156	223
Finance costs in connection with interest-free loans from non-controlling shareholders of a subsidiary	9,642	3,802
Net foreign exchange loss	<u>1,026</u>	<u>1,359</u>
	<u>10,995</u>	<u>5,971</u>

**(b) Staff costs (including directors' emoluments)**

	2020 \$'000	2019 \$'000
Wages, salaries and other benefits	30,559	39,375
Pension scheme contributions	735	2,357
Equity-settled share-based payment expenses	148	174
	<u>31,442</u>	<u>41,906</u>

**(c) Other items**

	2020 \$'000	2019 \$'000
Cost of inventories sold	82,832	311,294
Amortisation cost of intangible assets	4,044	24
Depreciation charge		
– owned property, plant and equipment	3,789	3,983
– right-of-use assets	4,284	4,069
Impairment losses on receivables, net		
– trade receivables	5,916	1,327
Auditors' remuneration	3,538	4,447

**5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	2020 \$'000	2019 \$'000
Current – Mainland China	49	–
Current – New Zealand	140	–
Deferred taxation	(1,515)	5,558
Net tax (credit)/charge for the year	<u>(1,326)</u>	<u>5,558</u>

*Notes:*

- (i) Provision for Hong Kong Profit Tax for the Year is calculated at 16.5% (2019: 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 during the Year (2019: 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 People’s Republic of China (the “PRC”), the Group’s subsidiaries established in the mainland (“Mainland China”) of the PRC are subject to PRC Corporate Income Tax at the statutory rate of 25% during the Year (2019: 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 (2019: 28%).

## 6 EARNING/(LOSS) PER SHARE

### (a) Basic earning/(loss) per share

The calculation of basic earning/(loss) per share is based on the profit/(loss) attributable to ordinary equity owners of the Company and the weighted average ordinary shares in issue during the Year, calculated as follows:

#### (i) Profit/(loss) for the purpose of calculating basic earning/(loss) per share

	2020 \$’000	2019 \$’000
Loss attributable to the equity owners of the Company	(23,559)	(34,097)
Distribution paid to the holders of perpetual convertible securities	–	(13,037)
Accrued distribution to the holders of perpetual convertible securities	(4,200)	(2,100)
Profit/(loss) for the purpose of calculating basic earning/(loss) per share	<u>(27,759)</u>	<u>(49,234)</u>

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

	2020 '000	2019 '000
Issued ordinary shares at 1 January	12,922,075	12,749,925
Effect of issuance of new shares	<u>–</u>	<u>148,596</u>
Weighted average number of ordinary shares at 31 December (basic)	<u><u>12,922,075</u></u>	<u><u>12,898,521</u></u>

(b) **Diluted earning/(loss) per share**

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

**7 TRADE RECEIVABLES**

	2020 \$'000	2019 \$'000
Trade receivables	27,115	55,338
Less: loss allowance	<u>(7,379)</u>	<u>(1,463)</u>
	<u><u>19,736</u></u>	<u><u>53,875</u></u>

**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:

	2020 \$'000	2019 \$'000
Within 90 days	18,298	52,040
91 to 180 days	1,373	1,306
181 to 365 days	65	170
Over 365 days	<u>–</u>	<u>359</u>
	<u><u>19,736</u></u>	<u><u>53,875</u></u>

Trade receivables are due within 14 to 90 days (2019: 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:

	2020 \$'000	2019 \$'000
Within 90 days	24,436	39,742
91 to 180 days	1,051	65
181 to 365 days	<u>1,323</u>	<u>531</u>
	<u>26,810</u>	<u>40,338</u>

Included in trade payables are payables of \$4,697,000 (2019: \$22,236,000) due to a non-controlling equity owner of a subsidiary which are repayable within 40 days from the date of billing.

All 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:

	2020 \$'000	2019 \$'000
Short-term – Bank loans	<u>–</u>	<u>17,935</u>
Long-term – Other borrowings from non-controlling shareholders of a subsidiary ( <i>note</i> )	<u>–</u>	<u>109,387</u>

*Note:* On 22 October 2018, pursuant to an agreement entered into between the Group and other equity holders 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**”), other equity holders have provided interest-free long-term loans in an aggregate amount of Renminbi (“**RMB**”)106,650,000 (approximately \$121,431,000) to Dakun Zhifang, which are repayable on 21 October 2021. Dakun Zhifang has repaid these loans in full during the Year.

## 10 SHARE CAPITAL

	2020		2019	
	Number of ordinary shares		Number of ordinary shares	
	'000	\$'000	'000	\$'000
<b>Authorised:</b>				
Ordinary share at \$0.005 each	<u>20,000,000</u>	<u>100,000</u>	<u>20,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>				
At 1 January	12,922,075	64,610	12,749,925	63,750
Issuance of new shares ( <i>note</i> )	<u>—</u>	<u>—</u>	<u>172,150</u>	<u>860</u>
At 31 December	<u>12,922,075</u>	<u>64,610</u>	<u>12,922,075</u>	<u>64,610</u>

*Note:* 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.

## 11 DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2019: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Overview, Business Strategy and Outlook

Tourism industry remains as an important drive to the PRC economy. According to the General Affairs of the 2019 Tourism Market\* (二零一九年旅遊市場基本情況) issued by the China Tourism Academy\* (中國旅遊研究院), gross domestic product of tourism industry in Mainland China was approximately 11.05% of total gross domestic product in Mainland China in 2019, and revenue from the overall tourism industry in Mainland China increased by approximately 11% in 2019 as compared to that of 2018. However, as a result of the outbreak of the Novel Coronavirus (COVID-19) pandemic (the “**Pandemic**”), the governments of various countries had implemented anti-pandemic measures for public health during the Year such as travel restrictions and temporary suspension of tourism activities and cultural spots, which had inevitably affected the tourism industry and the Group’s tourism-related businesses. In particular, revenue from diversified tourism products and services businesses had dropped from approximately HK\$395.8 million during year ended 31 December 2019 to approximately HK\$91.8 million during the Year, and revenue from tourism attractions under the integrated development businesses had dropped from approximately HK\$49.4 million during the year ended 31 December 2019 to approximately HK\$29.8 million during the Year.

During the Year, the Group had carried out, including but not limited to, the following measures to encounter the impact of the Pandemic to the Group’s existing businesses:

- (i) implementing cost containment plans. The assets-light business model on diversified tourism products and services businesses enabled the Group to avoid excessive fixed costs during the Year. The Group had implemented cost control measures on other costs during the Year. In particular, wages, salaries and other benefits and pension scheme contributions incurred during the Year reduced by 25% as compared to the corresponding period of last year;
- (ii) continuously monitoring and strengthening the collection of receivables. Gross trade receivables as at 31 December 2020 reduced by 51% as compared to 31 December 2019. Besides, certain overdue balances had been recovered during the Year, resulting reversal of other receivables written-off in prior years of approximately HK\$3.3 million;
- (iii) facilitating businesses other than tourism-related businesses that are less affected by the Pandemic. The integrated development businesses had served as the Group’s alternative business drive during the Year. Marketing, event planning and consulting services contributed revenue of approximately HK\$40.8 million (2019: approximately HK\$30.8 million) to the Group, while the properties development business in New Zealand had contributed revenue from sales of properties of approximately HK\$45.9 million (2019: nil) to the Group during the Year;

- (iv) disposed of the Group's 49% equity interest in China Comfort Tourism Group Company Limited\* (中國康輝旅遊集團有限責任公司) ("**China Comfort**"), a then associate of the Group, which was principally engaged in the tourism business and was loss-making during the five years ended 31 December 2020. The disposal was completed in October 2020. Through the disposal, the Group's financial status and results were improved by having received cash of approximately RMB350.4 million (equivalent to approximately HK\$393.6 million) and avoiding further losses and potential impairment derived from China Comfort thereafter; and
- (v) promptly resumed the tourist attraction and cultural spot business of Hebei Tu Men Travel Development Limited\* (河北土門旅遊開發有限公司) ("**Tu Men Travel**"), a subsidiary principally engaged in the operation and management of tourist attractions and cultural spots and owned a tourist attraction and cultural spot in Shijiazhuang, the PRC, in late March 2020 in a safe and adequate manner and at the consent of the local government. Adequate hygiene measures were carried out by the Group, including but not limited to: (1) monitoring the number, flow and social distancing of visitors; (2) implementing body temperature screenings for staff and visitors before entering the cultural spot; (3) requesting staff and visitors to wear proper surgical masks and providing staff with proper surgical masks; (4) providing regular staff training on environmental disinfection procedures and food safety; and (5) conducting regular disinfection procedures on the entire cultural spot.

The Pandemic had brought huge impact to the Group's diversified tourism products and services businesses and the Group's tourism attractions under the integrated development businesses during the Year. It is expected that the Pandemic will continue to impact the global tourism industry, and thus outbound travel and tourism businesses, being the Group's main business focus of the diversified tourism products and services segment, as well as the Group's tourism attractions business under the integrated development segment, will continue to be affected in 2021.

Despite the Pandemic, the tourism-related businesses are expected to be vigorous in a long run having considered the expected steady improvement of the PRC economy and the continuous improvement of people's living standard. The Group will closely monitor the development of the Pandemic and the global tourism industry in order to enable the tourism-related businesses to be back on track in a safe and effective manner. Meanwhile, the Group will also continue to explore potential opportunities in the tourism-related industry, including but not limited to further acquisition and development of diversified tourism products and services businesses, 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 for its business development in order to improve the benefit of the Group and shareholders in this challenging business environment.

In the light that the full recovery for global tourism industry is still highly uncertain under the Pandemic, in addition to the above-mentioned strategy and measures on the Group's existing businesses, the Board considers that the Group must take additional appropriate steps to cope with the market change resulting from the Pandemic. With an aim to broadening the Group's income sources which in turn improve the financial performance of the Group and achieve better return for the shareholders during the current unfavourable environment, the Group has been exploring new income stream in the PRC since late July 2020. Leveraging on the business network of the Directors, the Group is able to explore the feasibility of other business fields with stable domestic demand feature such as the provision of products and services relating to property management, healthcare and education businesses.

For property management business, in view that certain Directors possess extensive experience in property development and management in the PRC, and that a team of experienced staff will be formed and led by relevant Directors upon commencement of such business, the Group has been seeking acquisition opportunities since late July 2020. On 8 February 2021, Huasheng New Life Services (Shenzhen) Company Limited\* (華勝新生活服務(深圳)有限公司, “**Huasheng New Life**”, an indirect wholly-owned subsidiary of the Company) (as purchaser) entered into an equity transfer agreement with Heng Sheng Xin Ye (Beijing) Asset Management Company Limited\* (恆晟鑫業(北京)資產管理有限公司, “**Hengsheng Xinye**”, an independent third party of the Company) (as vendor) in relation to the acquisition of the entire equity interest in a property management and rental services provider, which is principally engaged in the provision of property management services and property rental services for residential and commercial properties in Hebei Province, the PRC. It possesses certifications of the ISO9001 (Quality Management Systems), ISO14001 (Environmental Management Systems) and OHSAS18001 (Occupational Health and Safety Assessment Series) and won various awards in past years, including the “2020 Top 500 Property Services Companies: Comprehensive Strength\*” (二零二零年度物業服務企業綜合實力500強) and the “Top Ten Property Management Projects in Hebei Province in 2019\*” (二零一九年度河北省物業管理十佳項目). As at 31 December 2020, it had a total contracted gross floor area of approximately 8.1 million square meters, of which a total gross floor area of approximately 7.1 million square meters was under its management. The total gross floor area mainly involves residential properties, commercial properties, office buildings, sales offices and related areas, hospitals, government and other public facilities. Further details of the acquisition are set out in the Company's announcement dated 8 February 2021. The equity transfer is expected to be completed in the second quarter of 2021.

In respect of the education-related business, the Group recruited a team specialising in education business in 2019 and, on a trial basis, completed certain number of relatively small-scale educational consulting services such as educational camps, educational training, schools cooperation, etc., and revenue of approximately HK\$0.5 million and approximately HK\$5.1 million were recognised during the Year and for the year ended 31 December 2019 respectively.

Looking forward, the Group will strengthen its business focusing on education-related business in order to broaden the revenue stream of the Group so as to cope with the change in global business environment, and will prudently explore potentially profitable investments and acquisitions in relation to property management business, healthcare business and education-related business, with an aim to improving the benefit of the Group and its shareholders as a whole.

## **Business Review**

### ***Diversified Tourism Products and Services Businesses***

Principal subsidiaries of the Group engaged in diversified tourism products and services businesses comprised (i) Four Seas Tours Limited (四海旅行社有限公司), which engaged in the sale of air-ticket and provision of other travel related services in Hong Kong; and (ii) Dongsheng (Beijing) International Travel Co., Limited\* (東勝(北京)國際旅行社有限公司) and Beijing Jinlv Shidai Tourism Co. Limited\* (北京金旅時代旅行社有限公司) (“**Jinlv Shidai**”), which engaged in the sales of air tickets and provision of outbound tourism-related services in the PRC.

Revenue from diversified tourism products and services businesses reduced from approximately HK\$395.8 million during the year ended 31 December 2019 to approximately HK\$91.8 million during the Year. As a result of the Pandemic and the anti-pandemic measures imposed by the governments of various countries, global travel and tourism activities were basically suspended during the Year. Majority of the Group’s revenue from diversified tourism products and services businesses was derived in January 2020.

### ***Integrated Development Businesses***

The Group has been operating in the integrated development businesses since the acquisition of the entire interest in a piece of land located at corner Miller Rise, Bankside Road, Millwater Parkway, Silverdale, Auckland, New Zealand with an aggregate area of approximately 15,742 square meter in 2017. The first phase of the project was completed in 2019 and all the residential units were sold during the Year, contributing revenue of approximately HK\$45.9 million to the Group during the Year. In respect of the remaining portion of the piece of land, with an aim to facilitating the timing of cash inflows, in December 2020, the Group (as vendor) entered into two agreements for sale and purchase of real estate (the “**Sale and Purchase Agreements**”) with an independent third party of the Company (as purchaser) to dispose of the remaining portion of the piece of land for a total consideration of approximately New Zealand Dollar (“**NZD**”) 10.3 million (equivalent to approximately HK\$52.1 million). The disposal is expected to be completed in the second quarter of 2021 and total gain on disposal to be recognised in 2021 is expected to be not less than NZD1.5 million (equivalent to approximately HK\$8.4 million).

On the other hand, Tu Men Travel, which is principally engaged in the operation and management of tourist attractions and cultural spots and owns a tourist attraction and cultural spot in Shijiazhuang, the PRC, contributed revenue of approximately HK\$29.8 million (2019: approximately HK\$49.4 million) to the Group during the Year. As a result of the Pandemic, the tourist attraction and cultural spot were temporarily suspended in late January 2020 and reopened in late March 2020 with restriction on number of visitors, resulting a decrease in revenue during the Year as compared to the corresponding period of last year.

The Group also engaged in the developments of tourism-related accommodation facilities in the PRC. During the Year, certain pieces of land in Zhangjiakou, the PRC, and Shijiazhuang, the PRC, are under planning and/or preliminary development stage.

In addition, in 2019, the Group recruited a team of talents who were equipped with extensive experience in 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. Revenue of approximately HK\$40.8 million (2019: approximately HK\$30.8 million) was recognised during the Year.

### ***Investment Holding Business***

As at 31 December 2019, investment holding business included the Group's 49% equity interest in China Comfort, a then associate of the Group, which was engaging 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 to proceed with the disposal (the “**Disposal**”) of the Group's 49% equity interest in China Comfort 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.

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 a cash consideration of RMB320.0 million (equivalent to approximately HK\$359.4 million). In addition, OVCT shall settle the outstanding shareholder's loans owing by China Comfort to Dongsheng Huamei in the aggregate sum of RMB32.3 million (equivalent to approximately HK\$36.3 million) as at 26 March 2020 on behalf of China Comfort after completion of the Disposal. Completion of the Disposal took place in October 2020 and net gain on the Disposal in the sum of approximately RMB10.1 million (equivalent to approximately HK\$11.4 million) was recognised during the Year, comprising (1) share of loss of the associate during the Year of approximately RMB12.7 million (equivalent to approximately HK\$14.3 million); and (2) gain on the Disposal of approximately RMB22.8 million (equivalent to approximately HK\$25.7 million), calculated based on the consolidated net assets attributable to the 49% equity interest in China Comfort on the date of completion of the Disposal and the consideration for the Disposal, net of expenses directly attributable to the Disposal.

Details of the Disposal are set out in the Company's announcements dated 26 March 2020, 31 July 2020, 30 September 2020 and 15 October 2020, and the Company's circular dated 24 June 2020.

## Financial Analysis

### Operating Performance

#### a. Continuing operations

Analysis by nature of revenue:

	2020		2019	
	HK\$'000	%	HK\$'000	%
Diversified tourism products and services businesses:				
Sales of air tickets	37,817	18.2	311,157	65.4
Sales of diversified tourism products, provision of travel and other related services and commission income	53,966	25.9	84,671	17.8
Sub-total	91,783	44.1	395,828	83.2
Integrated development businesses:				
Sales of products and service income from tourism attractions	29,806	14.3	49,388	10.4
Marketing, event planning and consulting services	40,840	19.6	30,783	6.4
Sales of properties	45,857	22.0	–	–
Sub-total	116,503	55.9	80,171	16.8
Total	208,286	100.0	475,999	100.0

The Group recorded revenue of approximately HK\$208.3 million (2019: approximately HK\$476.0 million) for the Year, representing a decrease of approximately 56% as compared to the corresponding period of last year. As a result of the Pandemic, global travel and tourism activities were temporarily suspended since late January 2020. Despite the growth of the Group's diversified tourism products and services businesses in the PRC in January 2020 as compared to that of January 2019, the Group's revenue from diversified tourism products and services businesses dropped by 77% to approximately HK\$91.8 million (2019: approximately HK\$395.8 million) during the Year as compared with the corresponding period of last year.

The Group's integrated development businesses served as a revenue drive during the Year. Despite the drop of sales of products and service income from tourism attractions as a result of the Pandemic, the growth of the sales of properties in New Zealand and marketing, event planning and consulting services led to an increase in the Group's revenue from integrated development businesses during the Year. Further details of these business performance are set out in section headed "Integrated Development Businesses" under "Business Review" in "Management Discussion and Analysis".

#### Gross profit

The Group recorded gross profit of approximately HK\$30.8 million (2019: approximately HK\$49.1 million) for the Year, representing a decrease of approximately 37% as compared to the corresponding period of last year, which was primarily attributable to the decrease in revenue during the Year as compared to the corresponding period of last year.

The slight increase in gross profit percentage from 10.3% during the year ended 31 December 2019 to 14.8% during the Year was mainly attributable to the increase in proportion of revenue from integrated development businesses to total revenue during the Year, which had a higher gross profit percentage than that of the revenue from diversified tourism products and services businesses.

#### Loss for the Year

Loss for the Year from continuing operations amounted to approximately HK\$56.4 million (2019: approximately HK\$13.2 million). The increase was primarily attributable to the net effect of (1) the decrease in gross profit by approximately HK\$18.3 million as compared to the corresponding period of last year; (2) the impairment of goodwill attributable to the businesses of Jinlv Shidai and Tu Men Travel of approximately HK\$15.4 million in aggregate owing to the Pandemic; (3) the decrease in valuation gains on investment properties of approximately HK\$26.5 million; and (4) the decrease in wages, salaries and other benefits and pension scheme contributions by approximately HK\$10.5 million.

#### *b. Discontinued operations*

During the Year, the Group had disposed of the 49% equity interest in China Comfort, a then associate of the Group, which was engaging 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. Details of the Disposal are set out in the section headed "Investment Holding Business" under "Business Review" in "Management Discussion and Analysis".

During the year ended 31 December 2019, the Group had disposed of its entire 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). No revenue was generated from the financial services business during the year ended 31 December 2019.

### ***Assets Structure***

As at 31 December 2020 and 2019, the Group's assets mainly included other property, plant and equipment, investment properties, intangible assets, goodwill, interest in an associate, inventories, trade receivables, prepayments, deposits and other receivables, restricted bank deposits and cash and cash equivalents, and assets held for sale, details of which are set out below:

- i. Other property, plant and equipment of approximately HK\$131.4 million (2019: approximately HK\$132.2 million) as at 31 December 2020 mainly represented properties and other equipment of the tourist attraction and cultural spot owned by Tu Men Travel with a net carrying amount of approximately HK\$128.9 million (2019: approximately HK\$125.2 million). The decrease was mainly attributable to the net effect of the depreciation charged and the appreciation of RMB against HK\$ during the Year.
- ii. Investment properties of approximately HK\$139.4 million (2019: approximately HK\$159.4 million) as at 31 December 2020 represented fair values of land under development located in the PRC (2019: the PRC and New Zealand). Upon the entering into of the Sale and Purchase Agreements in December 2020 as detailed in the section headed "Integrated Development Businesses" under "Business Review" in "Management Discussion and Analysis", the carrying amount of land under development located in New Zealand of approximately HK\$32.4 million was transferred to "assets held for sale" in the Group's consolidated statement of financial position.
- iii. Intangible assets of approximately HK\$4.1 million (2019: approximately HK\$7.8 million) as at 31 December 2020 consisted of travel licences, software and other intangible assets. The decrease was mainly attributable to the amortisation charged during the Year.
- iv. Goodwill of approximately HK\$15.3 million as at 31 December 2019 was derived from the acquisition of Tu Men Travel (which engaged in the tourism attractions business) and Jinlv Shidai (which engaged in the diversified tourism products and services businesses in the PRC) in prior years. Based on the results of the respective value-in-use calculations and having considered the impact of the Pandemic to respective businesses, full impairment on respective goodwill was recognised during the Year.

- v. Interest in an associate of approximately HK\$343.5 million as at 31 December 2019 was mainly attributable to the intangible assets, including trademark and distribution network, owned by China Comfort. Upon completion of the Disposal in October 2020, China Comfort ceased to be an associate of the Group. Further details of which are set out in the section headed “Investment Holding Business” under “Business Review” in “Management Discussion and Analysis”.
- vi. Inventories of approximately HK\$214.6 million (2019: approximately HK\$193.4 million) as at 31 December 2020 mainly represented certain pieces of land under development in the PRC (2019: New Zealand and the PRC). Upon the entering into of the Sale and Purchase Agreements in December 2020 as detailed in the section headed “Integrated Development Businesses” under “Business Review” in “Management Discussion and Analysis”, the carrying amount of land under development located in New Zealand of approximately HK\$14.5 million was transferred to “assets held for sale” in the Group’s consolidated statement of financial position. The increase in inventories was mainly attributable to the combined effect of (1) the sale of properties and the above-mentioned transfer of land under development located in New Zealand during the Year; and (2) the transfer of prepayment on a piece of land in the PRC to inventories as mentioned in note (viii) below.
- vii. Trade receivables of approximately HK\$19.7 million (2019: approximately HK\$53.9 million) as at 31 December 2020 were mainly derived from the marketing, event planning and consulting services under the integrated development segment. The decrease in trade receivables was mainly attributable to the combined effect of the collection of trade receivables and the decrease in revenue from diversified tourism products and services segment during the Year.
- viii. Prepayments, deposits and other receivables of approximately HK\$109.7 million (2019: approximately HK\$162.2 million) as at 31 December 2020 mainly represented refundable prepayments for investments of approximately HK\$81.5 million in aggregate for the acquisitions of certain property development projects in the PRC. The decrease in prepayments, deposits and other receivables was mainly due to the transfer of the prepayment on a piece of land in the PRC of approximately HK\$61.7 million to inventories during the Year upon obtaining the certificate of land use right effective from 7 February 2020.
- ix. Restricted bank deposits and cash and cash equivalents were approximately HK\$181.5 million (2019: approximately HK\$120.9 million) as at 31 December 2020. The increase was mainly attributable to the net effect of (1) settlements of amounts due to related parties under other payables and accruals, short-term borrowings and long-term borrowings of approximately HK\$263.3 million in aggregate during the Year; and (2) receipts of the consideration for the Disposal and a loan to China Comfort of approximately HK\$393.6 million in aggregate during the Year.

- x. Assets held for sale represented the land under development located in New Zealand as detailed in notes (ii) and (vi) above.

### ***Liabilities Structure***

As at 31 December 2020 and 2019, the Group's liabilities mainly included trade payables and contract liabilities, other payables and accruals and borrowings, details of which are set out below:

- i. Trade payables and contract liabilities were approximately HK\$36.4 million (2019: approximately HK\$55.6 million) as at 31 December 2020. The decrease was mainly attributable to the combined effect of the settlement of trade payables and the decrease in cost of sales and services from diversified tourism products and services segment during the Year.
- ii. Other payables and accruals of approximately HK\$92.6 million (2019: approximately HK\$278.2 million) as at 31 December 2020 mainly consisted of consideration payable regarding the acquisition of Tu Men Travel of approximately HK\$37.7 million (2019: approximately HK\$40.9 million), and land and construction costs payable of approximately HK\$21.9 million (2019: approximately HK\$39.5 million). The decrease was mainly attributable to the settlement of amounts due to related parties of approximately HK\$126.2 million during the Year.
- iii. Short-term borrowings and long-term borrowings of approximately HK\$17.9 million and HK\$109.4 million respectively as at 31 December 2019 were fully settled during the Year. Details of which are set out in section headed "Liquidity and Financial Resources" in "Management Discussion and Analysis".

### **Liquidity and Financial Resources**

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. During the Year, the Group's operations and investments had been continued to be mainly supported by internal resources and borrowings. Besides, the receipts of the consideration for the Disposal and the loan to China Comfort of approximately HK\$393.6 million in aggregate during the Year provided extra funding to the Group. The Group settled amounts due to related parties under other payables and accruals, short-term borrowings and long-term borrowings of approximately HK\$263.3 million in aggregate during the Year upon receipts of the funding, and the financial status is improved.

Short-term borrowings of the Group of approximately HK\$17.9 million as at 31 December 2019 were denominated in NZD and represented borrowings from a bank in New Zealand, which were secured as detailed in the section headed “Pledge of Assets” of this announcement, bearing average effective interest rate of 4.0% per annum during the Year, and repayable within a year. The short-term borrowings were fully settled during the Year.

Long-term borrowings of the Group of approximately HK\$109.4 million as at 31 December 2019 were denominated in RMB and represented borrowings from non-controlling shareholders of a subsidiary of the Group, which were unsecured, interest-free and repayable after one year. The long-term borrowings were fully settled during the Year.

As at 31 December 2020, the Group had a current ratio of approximately 4.4 (2019: approximately 1.5). As at 31 December 2019, the Group’s gearing ratio was approximately 1.4% (calculated by dividing net debt (defined as short-term borrowings and long-term borrowings, net of cash and cash equivalents) by total equity). All short-term borrowings and long-term borrowings were settled during the Year and gearing ratio was not applicable to the Group as at 31 December 2020.

### **Foreign Exchange Exposure**

Majority of the subsidiaries of the Group 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 2020, the Group had capital commitments relating to the investments in equity securities and developments of investment properties of approximately HK\$419.6 million in aggregate (2019: approximately HK\$536.4 million).

### **Material Acquisition, Investments and Disposal**

Apart from the Disposal of the 49% equity interest in China Comfort as detailed in the section headed “Investment Holding Business” under “Business Review” in “Management Discussion and Analysis”, the Group had no significant investments, material acquisition and disposal of subsidiaries and associated companies during the Year.

## **Pledge of Assets**

As at 31 December 2020 and 31 December 2019, the Group pledged the entire equity interest in Hua Yu New Life Services (Shenzhen) Company Limited \* (華譽新生活服務(深圳)有限公司) (formerly known as 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 with an aggregate principal amount of approximately HK\$70.0 million, details of which are set out in the Company's announcement dated 30 March 2016 and the Company's circular dated 29 January 2016. In addition, the Group's bank borrowings as at 31 December 2019 were secured by the Group's lands and properties located in New Zealand, and guaranteed by Mr. Shi (a controlling shareholder of the Company) and the Group's subsidiary in New Zealand.

## **Material Contingent Liabilities**

As at 31 December 2020 and 31 December 2019, the Group had no material contingent liabilities.

## **Number and Remuneration of Employees**

As at 31 December 2020, the total number of employees of the Group was approximately 190 (2019: approximately 270). Staff costs (including Directors' emoluments) of approximately HK\$31.4 million (2019: approximately HK\$41.9 million) were incurred during the Year.

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 a final dividend for the Year (2019: nil).

## Events after the Reporting Period

### ***(a) Acquisition of the entire equity interest in Dongsheng Property Management Services***

Pursuant to an equity transfer agreement dated 8 February 2021 entered into between Huasheng New Life (as purchaser) and Hengsheng Xinye (as vendor), Hengsheng Xinye conditionally agreed to dispose of, and Huasheng New Life conditionally agreed to acquire, the entire equity interest in Shijiazhuang Dongsheng Property Management Services Company Limited\* (石家莊市東勝物業服務有限公司, “**Dongsheng Property Management Services**”) for the consideration of RMB7,500,000 (equivalent to approximately HK\$8,936,000). Upon completion of the equity transfer (which is expected to be taken place in the second quarter of 2021), Dongsheng Property Management Services and its subsidiaries will become indirect wholly-owned subsidiaries of the Company. Further details of the acquisition are set out in the section headed “Industry Overview, Business Strategy and Outlook” in “Management Discussion and Analysis” and the Company’s announcement dated 8 February 2021.

### ***(b) Notice of cancellation of ninth 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 8 March 2021, the ninth distribution at the distribution rate of 6% per annum on the perpetual convertible securities scheduled to be made to the convertible securities holders on Saturday, 24 April 2021 has been cancelled in accordance with the Condition 4(B) of the terms and conditions of the perpetual convertible securities.

**(c) *Impact of the coronavirus outbreak***

The Pandemic has brought additional uncertainty to the Group's operating environment and has impacted the Group's operations and financial position. The Group has been closely monitoring the impact of the Pandemic to the Group's businesses and has put in place contingency measures, including but not limited to, negotiating with suppliers, service providers and customers to postpone selling tourism-related products and services, implementing cost containment plans, continuously monitoring and strengthening the collection of receivables, facilitating businesses other than tourism-related businesses that are less affected by the Pandemic, monitoring the Group's cash flows, promptly resuming the tourist attraction and cultural spot business in a safe and adequate manner, and exploring new income stream since late July 2020. Further details of the impact of the Pandemic to the Group's operation during the Year and the contingency measures are set out in sections head "Industry Overview, Business Strategy and Outlook", "Business Review" and "Financial Analysis" under "Management Discussion and Analysis".

It is expected that the Group's diversified tourism products and services businesses and tourist attraction and cultural spot business will continue to be affected by the Pandemic in 2021. Given the full recovery time for global tourism industry is highly uncertain, the Group will continue to take measures, including but not limited to, controlling its operating costs, monitoring its cash flows, paying close attention to the development of the Pandemic to its operations and continuously assessing its impact to the Group's financial statements, prudently facilitating and seeking other business opportunities and adequately adjusting its business plans, to protect the Group's benefits and interests in this challenging business environment and be well prepared for the business opportunities.

**CORPORATE GOVERNANCE**

The Company had 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 deviations 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.

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. Ms. Song Sining, Mr. Dong Xiaojie and Mr. He Qi were unable to attend the extra-ordinary general meeting of the Company held on 31 January 2020 due to other important engagements. In addition, Mr. Dong Xiaojie was unable to attend the annual general meeting of the Company held on 30 June 2020 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. Sui Feng-jih (being the chairman) and Mr. He Qi, and a non-executive Director, namely, Ms. Song Sining. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and internal control of the Group. The annual results of the Group for the Year have been reviewed by the Audit Committee. The Audit Committee considers that appropriate accounting policies have been adopted, and the applicable requirements of the Listing Rules have been complied with, in the preparation of relevant results, and sufficient disclosures have been 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.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company ([www.orientvictory.com.hk](http://www.orientvictory.com.hk)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report of the Company for the Year containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the abovementioned websites in due course.

## 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 2021

*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.*

*\* denotes an English translation of the Chinese name for identification purpose only.*