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If you have sold or transferred all your shares in **Orient Victory Travel Group Company Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS OF 40% EQUITY INTEREST IN EACH OF THE TARGET COMPANIES AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A notice convening an extraordinary general meeting of the Company to be held at conference room of R3 & R4, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 30 October 2018 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the extraordinary general meeting is enclosed with this circular. Whether or not you plan to attend the EGM or any adjournment thereof, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Such proxy form is also published on The Stock Exchange of Hong Kong Limited's HKExnews website at www.hkexnews.hk and the Company's website at www.orientvictory.com.hk. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy will be deemed to have been revoked.

10 October 2018

CONTENTS

	<i>Pages</i>
Definitions	1
Letter from the Board	6
Letter from the Independent Board Committee	30
Letter from the Independent Financial Adviser.	31
Appendix I – Valuation Report	I-1
Appendix II – Property Valuation Report	II-1
Appendix III – Report from Auditors in relation to the Profit Forecast on Great Ascent	III-1
Appendix IV – Letter from the Independent Financial Adviser in relation to the Profit Forecast on Great Ascent	IV-1
Appendix V – General Information	V-1
Notice of Extraordinary General Meeting	EGM-1

DEFINITIONS

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

“Acquisitions”	the Great Ascent Acquisition and the Yiersan Acquisition
“Announcements”	The announcements of the Company dated 22 January 2018 and 6 June 2018 in relation to the Acquisitions
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, a Sunday or a day on which a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal is hosted in Hong Kong) on which banks are generally open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“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
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the Independent Shareholders to consider and, if thought fit, approve the Great Ascent Agreement and the Yiersan Agreement and the transactions contemplated thereunder
“Great Ascent”	Great Ascent Limited, a company incorporated in Hong Kong
“Great Ascent Acquisition”	the acquisition of 40% of the issued share capital of Great Ascent by the Company from Mr. Li Jun Bang subject to and upon the terms and conditions of the Great Ascent Agreement

DEFINITIONS

“Great Ascent Agreement”	the conditional equity transfer agreement dated 22 January 2018 entered into between the Company, OV(HK) and Heng Sheng, as purchasers, and Mr. Li Jun Bang, as vendor in relation to the acquisition of 90% of the issued share capital of Great Ascent as amended and supplemented by the Great Ascent Supplemental Agreement
“Great Ascent Conditions Precedent”	the conditions precedent to the completion of the Great Ascent Agreement
“Great Ascent Consideration”	RMB46,800,000 (equivalent to approximately HK\$57,456,000) based on the valuation report on Great Ascent prepared by the Valuer, repayment of Great Ascent and its subsidiary’s bank loan(s) of approximately RMB50,000,000 (equivalent to approximately HK\$61,385,000) and repayment of other loans owed by Great Ascent, Hongshan and its subsidiary to Great Ascent’s existing shareholder and associated companies of approximately RMB56,200,000 (equivalent to approximately HK\$68,997,000)
“Great Ascent Purchasers”	the Company, OV(HK) and Heng Sheng
“Great Ascent Supplemental Agreement”	the supplemental agreement dated 6 June 2018 entered into between Mr. Li Jun Bang and the Great Ascent Purchasers
“Group”	the Company and its subsidiaries
“Heng Sheng”	Heng Sheng Xin Ye (Beijing) Asset Management Co., Ltd.* (恒晟鑫業(北京)資產管理有限公司), a company incorporated in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hongshan” or “JSRH”	Jiangsu Hongshan Sports Fitness Holiday Village Co., Ltd.* (江蘇紅山體育健身度假村有限公司), a company incorporated in the PRC

DEFINITIONS

“Hongshan Sports Park”	Hongshan Sports Park, Zaolin Hunan, Changshan Village, Tongshan office, Yizheng City, Jiangsu Province* (江蘇省儀征市銅山辦事處長山村棗林湖南紅山體育園)
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors formed to advise the Independent Shareholders on the terms of the Acquisitions
“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Acquisitions
“Independent Shareholders”	the Shareholders other than Mr. Shi Baodong, OVRE and its associates
“independent third party(ies)”	a third party independent of the Company and the connected persons of the Company
“Latest Practicable Date”	8 October 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	1 May 2018 or such other day as the parties may agree in writing; the parties have agreed to extend the date to 1 October 2018
“Mr. Shi”	Mr. Shi Baodong, the chairman of the Company, an executive Director and a director of OV(HK) and who beneficially owns the entire issued share capital of OVRE
“OV(HK)”	Orient Victory Group HK Holdings Limited (東勝集團香港控股有限公司), a company incorporated in Hong Kong and Mr. Shi is the director of OV(HK)
“OVPD”	Orient Victory Property Development Group Co., Ltd.* (東勝房地產開發集團有限公司), a company established in the PRC and indirectly wholly owned by OV(HK)

DEFINITIONS

“OVRE”	Orient Victory Real Estate Group Holdings Limited (東勝置業集團控股有限公司), a company incorporated in the BVI and being a controlling shareholder of the Company
“PRC”	the People’s Republic of China which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Property Valuer”	AVISTA Valuation Advisory Limited, the independent property valuer appointed by the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.005 each in the issued and unissued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Great Ascent and Yiersan
“Valuer”	Flagship Appraisals and Consulting Limited, the independent valuer appointed by the Company
“Yiersan”	Jiangsu Yiersan Real Estate Development Co., Ltd.* (江蘇一二三房地產開發有限公司), a company established in the PRC
“Yiersan Acquisition”	the acquisition of 40% equity interest in Yiersan by the Company from Yinmao subject to and upon the terms and conditions of the Yiersan Agreement
“Yiersan Agreement”	the conditional equity transfer agreement dated 22 January 2018 entered into between the Company, OVPD, and Heng Sheng, as purchasers, and Yinmao and Mr. Nie Jiangqiang as vendors in relation to the acquisition of the entire equity interest in Yiersan as amended and supplemented by the Yiersan Supplemental Agreement
“Yiersan Conditions Precedent”	the conditions precedent to the completion of the Yiersan Agreement

DEFINITIONS

“Yiersan Consideration”	RMB82,000,000 (equivalent to approximately HK\$100,671,000) based on the valuation report on Yiersan prepared by the Valuer
“Yiersan Purchasers”	the Company, OVPD, and Heng Sheng
“Yiersan Supplemental Agreement”	the supplemental agreement dated 6 June 2018 entered into between Yiersan Vendors and the Yiersan Purchasers
“Yiersan Vendors”	Yinmao and Mr. Nie Jiangqiang
“Yinmao”	Jiangsu Yinmao Holding (Group) Co., Ltd.* (江蘇銀茂控股(集團)有限公司), a company established in the PRC
“YZ Great Ascent”	Yangzhou Great Ascent Consulting Co., Ltd.* (揚州振浩商務諮詢有限公司), a company established in the PRC
“%”	per cent
“‰”	basis point

Unless otherwise specified in this Circular, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00=HK\$1.2277.

- * The English names of the PRC entities mentioned in this Circular marked with “*” are translations from their Chinese names and are for identification purposes only. In case of any inconsistency, the Chinese names shall prevail.

In this circular, the terms “close associate(s)”, “connected person(s)”, “core connected person(s)”, “controlling shareholder(s)”, “subsidiary/subsidiaries” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. SHI Baodong (*Chairman & Chief executive officer*)

Mr. ZHAO Huining

Mr. MO Yueming

Non-executive Director:

Ms. SONG Sining

Independent non-executive Directors:

Mr. DONG Xiaojie

Mr. HE Qi

Mr. SUEI Feng-jih

Registered office:

P.O. Box 31119 Grand Pavillion

Hibiscus Way

802 West Bay Road

Grand Cayman KY1-1205

Cayman Islands

Principal place of business

in Hong Kong:

2603, 26/F, Harbour Centre

25 Harbour Road

Wanchai

Hong Kong

10 October 2018

To the Shareholders,

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO THE ACQUISITIONS OF 40% EQUITY INTEREST
IN EACH OF THE TARGET COMPANIES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference are made to the announcements of the Company dated 22 January 2018 and 6 June 2018 in relation to the Acquisitions.

The purpose of this circular is to provide you with, among other things, (i) information on the Acquisitions and other information as required under the Listing Rules; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Great Ascent Agreement and Yiersan Agreement; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders containing its opinion and recommendation in respect of the Great Ascent Agreement and Yiersan Agreement; and (iv) the notice of the EGM.

LETTER FROM THE BOARD

THE ACQUISITIONS

Great Ascent Agreement

Principal terms of the Great Ascent Agreement are summarized below:

Date: 22 January 2018 (as amended and supplemented by the Great Ascent Supplemental Agreement dated 6 June 2018)

Parties: Purchasers

- (1) the Company
- (2) OV(HK)
- (3) Heng Sheng

Vendor

Mr. Li Jun Bang, a merchant

Equity Interest to be acquired by each of the Great Ascent Purchasers:

- (1) the Company: 40%
- (2) OV(HK): 40% and
- (3) Heng Sheng: 10%

of the issued share capital of Great Ascent

Consideration:

- (1) The adjusted consideration for the Great Ascent Acquisition is RMB20,800,000 (equivalent to approximately HK\$25,536,000), representing four-ninths (4/9) of the adjusted total consideration of RMB46,800,000 (equivalent to approximately HK\$57,456,000) for the acquisition of 90% of the issued share capital of Great Ascent according to the valuation report on Great Ascent prepared by the Valuer, which will be settled in cash by the Company.

The Great Ascent Purchasers are entitled to withhold RMB2,000,000 (equivalent to approximately HK\$2,455,000) from the balance of consideration in securing Mr. Li Jun Bang's undertakings under the Great Ascent Agreement.

LETTER FROM THE BOARD

- (2) The repayment of Great Ascent and its subsidiary's bank loan(s) of approximately RMB50,000,000 (equivalent to approximately HK\$61,385,000) shall be borne by OV(HK) and Heng Sheng in the proportion of four-fifths (4/5) and one-fifth (1/5) respectively and will be repaid in cash. The Company shall not be required to bear the said bank loans.
- (3) The repayment of other loans owed by Great Ascent, Hongshan and its subsidiary to Great Ascent's existing shareholder and associated companies of approximately RMB56,200,000 (equivalent to approximately HK\$68,997,000) shall be borne by OV(HK) and Heng Sheng in the proportion of four-fifths (4/5) and one-fifth (1/5) respectively. The Company shall not be required to bear the said other loans.
- (4) Each parties to the Great Ascent Agreement confirmed that all the amount due for the contract works under the development project of the Hongshan Sports Park, including those incurred by Great Ascent, its subsidiaries and associated companies, approximately RMB13,540,000 (equivalent to approximately HK\$16,623,000) in aggregate, shall be borne by OV(HK) and Heng Sheng in the proportion of four-fifths (4/5) and one-fifth (1/5) respectively after the completion of the Great Ascent Acquisition.
- (5) The Great Ascent Acquisition does not include any subsidiaries of Great Ascent (the "**Excluded Subsidiaries**") other than Hongshan and the subsidiaries of Hongshan. The Excluded Subsidiaries shall be disposed of within 6 months from the date of the Great Ascent Supplemental Agreement or before any other later date as agreed by the Great Ascent Purchasers. For the avoidance of doubt, YZ Great Ascent shall be disposed of, and all assets and liabilities of YZ Great Ascent and all the Excluded Subsidiaries shall not form part of the Great Ascent Acquisition.

The Company only has to pay RMB20,800,000 (equivalent to approximately HK\$25,536,000) to Mr. Li Jun Bang as part of the Great Ascent Consideration.

LETTER FROM THE BOARD

Considering the listing status of the Company, with transparency on the Group's financial and operational information, would bring confidence to the local government, the involvement of the Company is essential to the development of Hongshan Sports Park. As such, OV(HK) and Heng Sheng agreed to take up the loans mentioned in (2) to (4) entirely in the aforesaid proportion and the Company is not required to bear any of the said loans. Save for the loans mentioned in (2) to (4), Mr. Li Jun Bang shall take up all the other liabilities of Great Ascent and its subsidiaries and waive all the other existing shareholder's loan provided by him to Great Ascent and Hongshan (and its subsidiaries). As confirmed by Mr. Li Jun Bang, save for the shareholder's loan provided in (3) above, there is no other existing shareholder's loan owed by Great Ascent and its subsidiaries. The other liabilities to be taken up by Mr. Li Jun Bang are set out in the section headed "Confirmation from Mr. Li Jun Bang".

Payment Terms:

- (1) RMB500,000 (equivalent to approximately HK\$613,850) earnest money shall be payable in proportion within 3 Business Days from the date of the Great Ascent Agreement;
- (2) 51% of (i) the Great Ascent Consideration (after deducting the earnest money) at RMB23,868,000 (equivalent to approximately HK\$29,303,000) and (ii) the repayment of other loan(s) at RMB28,662,000 (equivalent to approximately HK\$35,188,000) shall be payable in proportion within 3 Business Days after stamping on the transfer documents for the transfer of 90% of issued share capital of Great Ascent;
- (3) 29% of (i) the Great Ascent Consideration at RMB13,572,000 (equivalent to approximately HK\$16,662,000) and (ii) the repayment of other loan(s) at RMB16,298,000 (equivalent to approximately HK\$20,009,000) shall be payable in proportion within 7 Business Days after the execution of a land assignment in respect of 80.22 mu of land in Hongshan Sports Park;

LETTER FROM THE BOARD

- (4) 20% of (i) the Great Ascent Consideration at RMB9,360,000 (equivalent to approximately HK\$11,491,000) less RMB2,000,000 (equivalent to approximately HK\$2,455,000) and (ii) the repayment of other loan(s) at RMB11,240,000 (equivalent to approximately HK\$13,800,000) shall be payable in proportion within 7 Business Days after the execution of a land assignment in respect of 38.44 mu of land in Hongshan Sports Park; and
- (5) RMB2,000,000 (equivalent to approximately HK\$2,455,000) withheld from the balance of consideration in securing Mr. Li Jun Bang's undertakings under the Great Ascent Agreement 2 years after the stamping on the transfer documents for the transfer of 90% of issued share capital of Great Ascent

Default Rate: 3‰ per day for late payment of each of the abovesaid payment term

Debt Restructuring: the arrangement to be agreed between the parties to deal with the debt of Great Ascent and its subsidiary as revealed in the Great Ascent Purchasers' due diligence report (the **"Great Ascent Debt Restructuring"**)

Great Ascent was valued at RMB52,000,000 (equivalent to approximately HK\$63,840,000) as at 31 December 2017 by the Valuer as set out in Appendix I. The consideration for the Great Ascent Acquisition together with other Great Ascent Purchasers was adjusted from RMB75,000,000 (equivalent to approximately HK\$92,078,000) to RMB46,800,000 (equivalent to approximately HK\$57,456,000) in aggregate according to the valuation report on Great Ascent prepared by the Valuer.

As disclosed in the announcement dated 22 January 2018, the original consideration of RMB75,000,000 was determined based on the preliminary valuation of net asset of Great Ascent, which was provided by Mr. Li Jun Bang and subject to valuation performed by an independent professional valuer. According to Mr. Li Jun Bang, the preliminary valuation of net asset of Great Ascent was reached after taking into account the investments made in Great Ascent and the intangible assets created in the course of the operation of Hongshan Sports Park.

The revised consideration of RMB46,800,000 was determined based on the valuation report prepared by the Valuer. The Valuer did not adopt Mr. Li Jun Bang's result as the Valuer considered that the investment made might not reflect the current value of the business and intangible assets, which cannot be reflected by the original investment, might have been created in the course of the operation. According to the valuation report, the Valuer adopted income approach to estimate the value of the operation of Hongshan Sports Park, which is held by Great Ascent. The Valuer also made adjustments to the assets and liabilities held by Great Ascent based on the financial due diligence report relating to Great Ascent. The Valuer then arrived at the valuation of Great Ascent. Based on the valuation of Great Ascent, a downward

LETTER FROM THE BOARD

adjustment of RMB28,200,000 was made to the original consideration to arrive at the revised consideration of RMB46,800,000. Four-ninths (4/9) of the consideration, i.e. RMB20,800,000 (equivalent to approximately HK\$25,536,000), will be paid by the Company for the 40% equity interest in Great Ascent, which will be satisfied by cash by the Company.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Heng Sheng, its ultimate beneficial owner(s) and Mr. Li Jun Bang are third parties independent of the Company and its respective connected persons.

Furthermore, (i) Heng Sheng and its ultimate beneficial owner(s); and (ii) Mr. Li Jun Bang are not related to each other.

Basis for determination of the Consideration

The consideration was determined after arm's length negotiations between the parties to the Great Ascent Agreement on normal commercial terms with reference to the valuation report on Great Ascent prepared by the Valuer appointed by the Great Ascent Purchasers as set out in Appendix I.

Conditions Precedent

Completion of the Great Ascent Acquisition is subject to the following Great Ascent Conditions Precedent:

- (a) all such documents required for the transfer of the shares of Great Ascent, including but not limited to resolutions of the sole shareholder of Great Ascent to consent to the transfer pursuant to the Great Ascent Agreement and resignation from each of the directors and supervisors of Great Ascent and its subsidiaries involved in the Great Ascent Acquisition, having been duly executed;
- (b) the Great Ascent Purchasers or their professional advisers having satisfied with the due diligence results in relation to the assets, liabilities and operation of Great Ascent;
- (c) the Great Ascent Purchasers having obtained a Hong Kong legal opinion issued by Hong Kong lawyers appointed by the Great Ascent Purchasers in form and substance satisfactory to the Great Ascent Purchasers in their absolute discretion on the due establishment, valid subsistence of Great Ascent and the legality and feasibility of the Great Ascent Agreement and the transactions contemplated thereunder;
- (d) the Great Ascent Purchasers having obtained a PRC legal opinion issued by a PRC lawyer appointed by the Great Ascent Purchasers in form and substance satisfactory to the Great Ascent Purchasers in their absolute discretion on the due establishment and valid subsistence of Hongshan and its exclusive operation right in Hongshan Sports Park;

LETTER FROM THE BOARD

- (e) the Great Ascent Purchasers having obtained a valuation report on Great Ascent prepared by an independent professional valuer appointed by the Great Ascent Purchasers in the form and substance to the satisfaction of the Great Ascent Purchasers;
- (f) the land use and development plans of 200 mu of land in Hongshan Sports Park for the first quarter of 2018 submitted to the Regulation Committee of Yizheng Municipal Government* (儀征市政府規委會) of the PRC by the Great Ascent Purchasers or their nominee having been approved;
- (g) all such necessary consents as required by law and the Listing Rules from the Independent Shareholders of the Company in respect of the Great Ascent Agreement and the transactions contemplated thereunder having been obtained; and
- (h) all warranties, representations and undertakings given by Mr. Li Jun Bang in the Great Ascent Agreement shall remain true, accurate and not misleading.

Pursuant to the Great Ascent Agreement, the parties shall use their best endeavors to fulfill the aforesaid Great Ascent Conditions Precedent. If the conditions are not fulfilled on or before Long Stop Date, Great Ascent Purchasers may terminate the Great Ascent Agreement and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach of the Great Ascent Agreement.

As at the Latest Practicable Date, save for item (f) which depends on the approval procedures of the Regulation Committee of Yizheng Municipal Government; item (g) which requires Independent Shareholders' approval at the EGM; and item (h) which is an continuing obligation of Mr. Li Jun Bang before completion, all other Great Ascent Conditions Precedent have been fulfilled. It is expected by the Board that completion of the Great Ascent Acquisition would take place within 60 days after the date of this Circular. The Company would grant further extension of the Long Stop Date if it considers appropriate. The Company will update its Shareholders by publishing an announcement as and when necessary.

Confirmation from Mr. Li Jun Bang

Mr. Li Jun Bang shall fulfill, among others, the following conditions and obtain the confirmation from the Great Ascent Purchasers before the later of 1 July 2018 and the registration of the share transfer of Great Ascent:

(1) Accounting Compliance

From the date of the Great Ascent Supplemental Agreement, Mr. Li Jun Bang shall designate professional personnel to rectify and address the following financial and tax issues subsisting and discovered in the due diligence conducted on each of the companies of the Hongshan Sports Park development project:–

A. Financial Issues

- (a) Potential employees' compensation claims for injuries for Hongshan was estimated at RMB960,000.00 (equivalent to approximately HK\$1,178,592.00) by PRC legal advisers. As at the date of this circular,

LETTER FROM THE BOARD

provision of RMB900,000.00 (equivalent to approximately HK\$1,104,930.00) has already been made. Mr. Li Jun Bang has agreed to take up the remaining liability in respect of the potential employees' claims;

- (b) Subsidy was given by the local government for the sport developments of Hongshan Sports Park in 2016 and 2017 in the aggregate sum of RMB1,940,000.00. Hongshan absorbed the grant as an income by one off in 2016 and 2017 and no amortisation was made that the grant was recognised when it is incurred;
- (c) The fixed asset register did not match with the book record of Hongshan and thus a physical count of property, plant and equipment was undertaken and the physical count result was reflected in August 2018;

B. Tax Issues

- (a) Omission of rental income, disposal income of fixed assets, mainstream revenue, commission income and advertising and other income of Hongshan, resulting in a shortfall of value-added tax and business tax (including penalties) estimated at RMB18,418.74 (equivalent to approximately HK\$22,612.69) in aggregate;
- (b) Failure to report interest at market rate for provision of interest-free loans to related parties of Hongshan to the tax authority, resulting in a shortfall of value-added tax and business tax estimated at RMB134,804.09 (equivalent to approximately HK\$165,498.98) and RMB24,919.20 (equivalent to approximately HK\$30,593.30) in aggregate respectively;
- (c) Potential penalties in the sum of RMB20,000 (equivalent to approximately HK\$24,554.00) arising from failure to report connected transactions and submit individual income tax return for temporary staff of Hongshan to the tax authority;
- (d) Failure to pay RMB179.80 (equivalent to approximately HK\$220.74) stamp duty for the agreement to sell, lease and transfer motor vehicles of Hongshan; and
- (e) Potential penalties in the sum of RMB20,000.00 (equivalent to approximately HK\$24,554.00) arising from failure to report related transactions and submit enterprise income tax return to the tax authority by a company established in the PRC jointly owned with Yiersan.

LETTER FROM THE BOARD

In respect of the above-mentioned tax issues, Mr. Li Jun Bang has agreed to take up all the outstanding tax payments, or the Great Ascent Purchasers are entitled to deduct all such outstanding tax payments from the balance of consideration in the sum of RMB2,000,000 (equivalent to approximately HK\$2,455,000).

(2) Government Matters

Mr. Li Jun Bang shall communicate with the local government for the completion of the following matters as soon as possible:

- A. 36.78 mu of land within the land lot No. 4 of Hongshan Sports Park development project but not included in the leasing area set out in the subcontracting agreement was changed to leasehold land and has not entered into any relevant agreement, Mr. Li Jun Bang shall communicate with the government and enter into a relevant supplemental agreement as soon as possible.
- B. In relation to the non-payment of the auction price in the sum of RMB9,720,000.00 (equivalent to approximately HK\$11,933,000.00), which was agreed by the local authority to be paid by way of yearly rent, settle the legacy land rent issue as soon as possible and request the issuance of written document or the execution of any relevant supplemental agreement in relation to the relief of rent in the amount of RMB9,720,000 (equivalent to approximately HK\$11,933,000) by the government as soon as possible, or settle the payment in relation to the auction of property in the amount of RMB9,720,000 (equivalent to approximately HK\$11,933,000).

(3) Annual Inspection of Subsidiaries

According to the online research made on the website of Administration for Industry and Commerce, the Nanjing branch and Yangzhou branch of Hongshan are listed as abnormal operation by the local administration authority for the reason of failure to submit annual report as required. Mr. Li Jun Bang shall address the issues as soon as possible and resume the normal operation status of such branches.

(4) Project of Yinghua Garden (櫻花園)

Mr. Li Jun Bang shall provide plans to follow up with the project of Yinghua Garden (櫻花園), in which thousands of cherry blossoms will be transplanted or planted in the Hongshan Sports Park, and be responsible for handling subsequent operation of the Yinghua Garden (櫻花園).

(5) Third-Party Cooperation Projects

For all the cooperation agreements entered into between Hongshan and other third-party, Mr. Li Jun Bang shall communicate with each party involved for the

LETTER FROM THE BOARD

coordination of the subsequent business plan of Hongshan Sports Park. Mr. Li Jun Bang shall be responsible for the adverse consequences arising from the conflict between such cooperation agreements and the subsequent development and operation plan of Hongshan Sports Park, including but not limited to compensation and termination with indemnity, etc.

- (6) Mr. Li Jun Bang shall properly settle the payment issue in relation to the acquisition of equity interest of Hongshan by Great Ascent and provide written evidence proving the settlement.
- (7) For lawful dismissal of all employees of the Hongshan Sports Park development project, Mr. Li Jun Bang shall make proper payment of all outstanding wages, social insurance, compensation and other fees, and provide written evidence proving the lawful dismissal. Mr. Li Jun Bang shall bear all the related expenses by himself alone.
- (8) Mr. Li Jun Bang shall provide Great Ascent Purchasers with an organizational chart of Great Ascent and its subsidiaries signed and confirmed by a director of Great Ascent.

If the abovementioned matters are not fully completed within the specified time and delay of which would seriously affect the operation of Great Ascent Purchasers, Great Ascent and Hongshan, the Great Ascent Purchasers are entitled to delay in performance of their obligations under the Great Ascent Agreement until the settlement of the abovementioned matters unless such other later date to fulfill the matters is agreed between Mr. Li Jun Bang and the Great Ascent Purchasers.

Termination

The Great Ascent Agreement may be terminated if:

- (a) all parties agree in writing;
- (b) the Great Ascent Conditions Precedent are not fulfilled on or before Long Stop Date;
- (c) Mr. Li Jun Bang fails to complete the share transfer of Great Ascent to the Great Ascent Purchasers in Hong Kong pursuant to the Great Ascent Agreement or the parties fail to reach an agreement to the Great Ascent Debt Restructuring within 60 days after all the Great Ascent Conditions Precedent having been fulfilled; or
- (d) the Yiersan Agreement terminates.

LETTER FROM THE BOARD

Yiersan Agreement

Principal terms of the Yiersan Agreement are summarized below:

Date:	22 January 2018 (as amended and supplemented by the Great Ascent Supplemental Agreement dated 6 June 2018)
Parties:	<p>Purchasers</p> <p>(1) the Company</p> <p>(2) OVPD</p> <p>(3) Heng Sheng</p> <p>Vendors</p> <p>(1) Yinmao</p> <p>(2) Mr. Nie Jiangqiang, a merchant</p>
Equity Interest to be acquired by each of the Great Ascent Purchasers:	<p>(1) the Company: 40%</p> <p>(2) OVPD: 40% and</p> <p>(3) Heng Sheng: 20%</p> <p>of the equity interest in Yiersan</p>
Consideration:	The adjusted consideration for the Yiersan Acquisition is RMB32,800,000 (equivalent to approximately HK\$40,268,560), representing 40% of the adjusted total consideration of RMB82,000,000 (equivalent to approximately HK\$100,671,000) for the acquisition of the entire equity interest in Yiersan according to the valuation report on Yiersan prepared by the Valuer, which will be settled in cash by the Company.
Payment Terms:	(1) RMB500,000 (equivalent to approximately HK\$613,850) earnest money shall be payable in proportion within 3 Business Days from the date of the Yiersan Agreement;

LETTER FROM THE BOARD

- (2) 51% of the Yiersan consideration (after deducting the earnest money) at RMB41,820,000 (equivalent to approximately HK\$51,342,000) shall be payable in proportion within 3 Business Days after the transfer of the entire equity interest in Yiersan to Yiersan Purchasers;
- (3) 29% of the Yiersan consideration at RMB23,780,000 (equivalent to approximately HK\$29,195,000) shall be payable in proportion within 7 Business Days after the execution of a land assignment in respect of 80.22 mu of land in Hongshan Sports Park;
- (4) 20% of the Yiersan consideration at RMB16,400,000 (equivalent to approximately HK\$20,134,000) less RMB1,000,000 (equivalent to approximately HK\$1,228,000) shall be payable in proportion within 7 Business Days after the execution of a land assignment in respect of 38.44 mu of land in Hongshan Sports Park; and
- (5) RMB1,000,000 (equivalent to approximately HK\$1,228,000) withheld from the balance of consideration in securing the Yiersan Vendors' undertakings under the Yiersan Agreement 2 years after the registration of the transfer of the entire equity interest in Yiersan

Default Rate: 3‰ per day for late payment of each of the abovesaid payment term

Debt Restructuring: the arrangement of the debt of Yiersan as at the date of the completion of the registration of the entire equity interest in Yiersan pursuant to the Yiersan Agreement to be borne by the Yiersan Vendors (the “**Yiersan Debt Arrangement**”)

Yiersan is valued at RMB82,000,000 (equivalent to approximately HK\$100,671,000) as at 31 December 2017 by the Valuer. The consideration for the Yiersan Acquisition is adjusted from RMB50,000,000 (equivalent to approximately HK\$61,385,000) to RMB82,000,000 (equivalent to approximately HK\$100,671,000). The consideration for the Yiersan Acquisition together with other Yiersan Purchasers is adjusted to from RMB50,000,000 to RMB82,000,000 (equivalent to approximately HK\$100,671,000) in aggregate according to the valuation report on Yiersan prepared by the Valuer.

As disclosed in the announcement of the Company dated 22 January 2018, the original consideration of RMB50,000,000 was determined based on the preliminary valuation of net asset of Yiersan, which was provided by Yiersan Vendors and subject to valuation performed

LETTER FROM THE BOARD

by an independent professional valuer. According to Yiersan Vendors, the preliminary valuation of net asset of Yiersan was reached after taking into account the registered capital of Yiersan.

The revised consideration of RMB82,000,000 was determined based on the valuation report prepared by the Valuer. The Valuer did not adopt the Yiersan Vendors result as the Valuer considered that the value of Yiersan should be in relation to its assets held. The major assets of Yiersan were 6 parcels of land in Hongshan Sports Park. Based on the valuation of the land parcels by the Property Valuer, the Valuer adopted cost approach to estimate the valuation of Yiersan. To arrive at the valuation of Yiersan, the Valuer also made adjustments to other assets and liabilities held by Yiersan based on the financial due diligence report relating to Yiersan. Based on the valuation of Yiersan, an upward adjustment of RMB32,000,000 was made to the original consideration to arrive at the revised consideration of RMB82,000,000. 40% of the consideration, i.e. RMB32,800,000 (equivalent to approximately HK\$40,268,560), will be satisfied by cash by the Company.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Heng Sheng, Yinmao, their respective ultimate beneficial owners and Mr. Nie Jiangqiang are third parties independent of the Company and its respective connected persons.

Furthermore, (i) Heng Sheng and its ultimate beneficial owner(s); (ii) Yinmao and its ultimate beneficial owner(s) and (iii) Mr. Nie Jiangqiang are not related to each other.

Basis for determination of the Consideration

The consideration was determined after arm's length negotiations between the parties to the Yiersan Agreement on normal commercial terms with reference to the valuation report on Yiersan prepared by the Valuer as set out in Appendix I.

Valuation Method and the Underlying Assumptions

The Valuer has adopted the income approach and cost approach for valuing Great Ascent and the cost approach for valuing Yiersan as at 31 December 2017 in the valuation report as set out in Appendix I. As the valuation prepared by the Valuer has included result derived by discounted cash flow method under the income approach, it constitutes a profit forecast under Rule 14.61 and item 29(2) of Appendix 1B of the Listing Rules. The key assumptions on which such profit forecast was based are set out below:

- (a) There will be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in China, and the region where the Target Companies are carrying on their businesses;
- (b) There will be no significant deviation in the industry trend and market condition from current market expectation;
- (c) There will be no major change in the current taxation law and policies against the real estate and leisure industries in China;

LETTER FROM THE BOARD

- (d) All relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, remain in good standing, and can be procured with no additional costs or fees;
- (e) The Target Companies will retain competent management, key personnel and technical staff to support their on-going business operations;
- (f) The provided financial projection will be realized;
- (g) The Target Companies do not have any contingent liabilities;
- (h) The Provincial Horticultural Exhibition and the International Horticultural Exhibition held nearby Hongshan Sports Park will be successful and boost the number of visitors to the park;
- (i) Existing capacity of Hongshan Sports Park is sufficient for the increasing number of visitors; and
- (j) The expected capital expenditure would be adequate for improving the facilities.

As Great Ascent is only an investment holding company which does not have any operation and income while Hongshan, an operating subsidiary wholly-owned by Great Ascent, has been operating since 2009 and generating revenue, the Directors are of the view that the cost approach and income approach adopted by the Valuer for valuating the group of Great Ascent with reference to the operation and revenue of Hongshan are fair and reasonable.

Similarly, as Yiersan has not generated any income but holding parcels of land for sale and development of properties, the Directors are of the view that the cost approach adopted by the Valuer with reference to the fair value of the assets and liabilities of Yiersan for valuating Yiersan are fair and reasonable.

A letter from the Independent Financial Adviser of the Company, Pelican Financial Limited, confirming that it is satisfied that the said profit forecast has been made by the Directors after due and careful enquiry, is set out in this circular. A report from KPMG, the auditors of the Company, confirming that, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respect in accordance with the bases and assumptions adopted by the Directors as set out in the valuation, is set out in Appendix III to this circular.

The Directors consider the terms and conditions of the Acquisition to be fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

Conditions Precedent

Completion of the Yiersan Acquisition is subject to the following Yiersan Conditions Precedent:

- (a) all such documents required for the registration of the transfer of the entire equity interest of Yiersan pursuant to the Yiersan Agreement at all the relevant government authority of the PRC, including but not limited to resolutions of the shareholder(s) of Yiersan to consent to the transfer and resignation from each of the directors and supervisor of Yiersan, having been duly executed;
- (b) the Yiersan Purchasers or their professional advisers having satisfied with the due diligence results in relation to the assets, liabilities and operation of Yiersan;
- (c) the Yiersan Purchasers having obtained a PRC legal opinion issued by a PRC lawyer appointed by the Yiersan Purchasers on the due establishment and valid subsistence of Yiersan and the land use and project rights on the total 168 mu of land in Hongshan Sports Park Yiersan obtained pursuant to an agreement entered into between the Yiersan Vendors and Yizheng Zaolin Bay Ecological Park Management Committee* (儀征市棗林灣生態園管理委員會) dated 16 June 2008;
- (d) all such necessary consents as required by law and the Listing Rules from the Independent Shareholders of the Company in respect of the Yiersan Agreement and the transactions contemplated thereunder having been obtained;
- (e) the passing of the development and construction plans on 200 mu of land in Hongshan Sports Park for the first quarter of 2018 submitted to the Regulation Committee of Yicheng Municipal Government* (儀征市政府規委會) of the PRC by the Yiersan Purchasers or their agent;
- (f) the Yiersan Purchasers having obtained a valuation report on Yiersan to be prepared by an independent professional valuer appointed by the Yiersan Purchasers in the form and substance to the satisfaction of the Yiersan Purchasers; and
- (g) all warranties, representations and undertakings given by Yiersan Vendors in the Yiersan Agreement shall remain true, accurate and not misleading in material.

Pursuant to the Yiersan Agreement, the parties shall use their best endeavors to fulfill the Yiersan Conditions Precedent. If the conditions are not fulfilled on or before Long Stop Date, Yiersan Purchasers may terminate the Yiersan Agreement and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach of the Yiersan Agreement.

As at the Latest Practicable Date, save for item (d) which requires Independent Shareholders' approval at the EGM; item (e) which depends on the approval procedures of the Regulation Committee of Yicheng Municipal Government; and item (g) which is a continuing obligation of Yiersan Vendors before completion, all other Yiersan Conditions Precedent have been fulfilled. It is expected by the Board that completion of the Yiersan Acquisition would take place within 60 days after the date of this Circular. The Company would grant further extension of the Long Stop Date if it considers appropriate. The Company will update its Shareholders by publishing an announcement as and when necessary.

LETTER FROM THE BOARD

Confirmation from Yiersan Vendors

Yiersan Vendors shall fulfill, among others, the following conditions and obtain the confirmation from the Yiersan Purchasers before the later of 1 July 2018 and the registration of the transfer of the equity interest in Yiersan:

(1) Accounting Compliance

From the date of the Yiersan Supplemental Agreement, Yiersan Vendors shall designate professional personnel to rectify and address the following financial and tax issues subsisting and discovered in the due diligence conducted on Yiersan.

A. Financial Issues

- (a) The parties who committed to make capital contributions in the memorandum dated 1 October 2012 does not match with the record submitted to the Ministry of Commerce of the PRC;
- (b) A sum of RMB37,872.31 (equivalent to approximately HK\$46,495.83) was understated in wages as at 31 December 2017;

B. Tax Issues

- (a) Failure to report interest at market rate for provision of interest-free loans to related parties to the tax authority, resulting in a shortfall of value-added tax and business tax estimated at RMB60,641.53 (equivalent to approximately HK\$74,449.61) and RMB12,135.54 (equivalent to approximately HK\$14,898.80) in aggregate respectively;
- (b) Potential penalties in the sum of RMB20,000.00 (equivalent to approximately HK\$24,554.00) for failure to report related transactions and submit enterprise income tax return to the tax authority; and
- (c) Potential penalties in the sum of RMB20,000.00 (equivalent to approximately HK\$24,554.00) arising from failure to report related transactions and submit enterprise income tax return to the tax authority by a company established in the PRC jointly owned with Hongshan.

In respect of the above-mentioned tax issues, Yiersan Vendors have agreed to take up all the outstanding tax payment, or the Yiersan Purchasers one entitled to deduct all such outstanding tax payments from the balance of consideration in the sum of RMB1,000,000 (equivalent to approximately HK\$1,228,000).

- (2) Yiersan Vendors provide Yiersan Purchasers with an organizational chart of Yiersan and its subsidiaries signed and confirmed by a director of Yiersan.

LETTER FROM THE BOARD

If the abovementioned matter is not fully completed within the specified time and delay of which would seriously affect the operation of Yiersan Purchasers and Yiersan, the Yiersan Purchasers are entitled to delay in performance of their obligations under the Yiersan Agreement until the settlement of the abovementioned matter unless such other later date to fulfill the matters is agreed between Yiersan Vendors and Yiersan Purchasers.

Termination

The Yiersan Agreement may be terminated if:

- (a) all parties agree in writing;
- (b) the Yiersan Conditions Precedent are not fulfilled on or before Long Stop Date;
- (c) Yiersan Vendors fail to complete the registration of the transfer of the entire equity interest in Yiersan to the Yiersan Purchasers in the PRC or the parties fail to reach the Yiersan Debt Arrangement within 60 days after all the Yiersan Conditions Precedent having been fulfilled;
- (d) the Great Ascent Agreement terminates;
- (e) the requirements in respect of the listing for sale of 80.22 mu of land in Hongshan Sports Park cannot be completed within 30 days from the end of March 2018; or
- (f) the requirements in respect of the listing for bidding of 38.44 mu of land in Hongshan Sports Park cannot be completed within 30 days from the end of October 2018.

BACKGROUND INFORMATION

Great Ascent

Great Ascent is a company incorporated in Hong Kong with limited liability on 13 September 2007 with an issued capital of HK\$10,000. It is an investment holding company wholly owned by Mr. Li Jun Bang. Great Ascent wholly beneficially and directly holds the entire equity interest in YZ Great Ascent and Hongshan.

LETTER FROM THE BOARD

According to the adjusted unaudited consolidated management account records of the group of Great Ascent, the net liabilities of the group of Great Ascent (excluding YZ Great Ascent) as at 31 December 2017 were approximately HK\$81,629,000. The financial results of the group of Great Ascent (excluding YZ Great Ascent) for the year ended 31 December 2016 and 2017 are as follows:

	For the year ended	
	31 December	
	2016	2017
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before tax	19,541	14,944
Loss after tax	19,541	14,944

Note: Based on the most recent available adjusted unaudited consolidated management account record of the group of Great Ascent (excluding YZ Great Ascent) as at 31 December 2016 and 2017.

Upon completion, the Company will hold 40% of the issued share capital of Great Ascent and Great Ascent will become an associate of the Company.

YZ Great Ascent

YZ Great Ascent is a company established in the PRC with limited liability. It is principally engaged in providing consultancy services in international economy, technology, information on environment, construction, decoration and design. Its equity interest is wholly owned by Great Ascent. It does not form part of the Great Ascent Acquisition. As at the Latest Practicable Date, valuation for YZ Great Ascent was still in progress. Disposal of YZ Great Ascent will be proceeded when the valuation is completed. Disposal of YZ Great Ascent shall be completed before the completion of the Great Ascent Acquisition as undertaken by Mr. Li Jun Bang.

Hongshan

Hongshan is a company established in the PRC with limited liability. It is principally engaged in providing exclusive travel services in the Hongshan Sports Park development project. Its equity interest is wholly owned by Great Ascent.

Yiersan

Yiersan is a company established in the PRC with limited liability on 17 March 2011 with the registered and paid-in capital of RMB50,000,000. It is principally engaged in real estate development and management, property services, real estate agencies, construction consulting services and sales of building materials. Its equity interest is owned as to 90% and 10% by Yinmao and Mr. Nie Jiangqiang respectively.

Yiersan and its subsidiary are primarily involved in real estate development and management; property services; real estate agencies; construction consulting services and sales of building materials.

LETTER FROM THE BOARD

According to the adjusted unaudited consolidated management account records of the group of Yiersan, the net assets of the group of Yiersan as at 31 December 2017 were approximately HK\$53,306,000. The financial results of the group of Yiersan for the year ended 31 December 2016 and 2017 are as follows:

	For the year ended	
	31 December	
	2016	2017
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before tax	878	983
Loss after tax	878	983

Note: Based on the most recent available adjusted unaudited consolidated management account record of the group of Yiersan as at 31 December 2016 and 2017.

Upon completion, the Company will hold 40% of the issued share capital of Yiersan and Yiersan will become an associate of the Company.

Hongshan Sports Park Development Project

Hongshan Sports Park development project is a cultural sports tourism development project operated by Hongshan and Yiersan jointly. The development project is divided into 3 stages. The first stage kicked off in 2009 and completed in 2013 for the establishment of accommodation and recreational facilities, during which land, water and aerial recreational and entertainment facilities, log cabin hotels and restaurants were established. The second stage started in 2014 and completed in 2018 for the establishment of pleasure grounds and gardens, during which Yinghua Garden (櫻花園) and a force and skill park for children (兒童體能探索公園) were established in the Hongshan Sports Park. The third stage will commence in 2019 and complete in 2023 for the purpose of improving the Hongshan Sports Park.

The Hongshan Sports Park has commenced operation since May 2009, and has been generating revenue for Great Ascent ever since. Please refer to the unaudited consolidated management account records of the group of Great Ascent disclosed on page 23 of this circular.

The Hongshan Sports Park can be divided into four tourist areas, namely (i) sky area which provides activities such as powered paragliding; (ii) ground area which provides activities such as equestrian, archery, shooting and karting; (iii) water area which provides activities such as assault boat, bumper boat, bamboo raft and fishing; and (iv) forest area which mainly consists of Yinghua Garden (櫻花園) and a force and skill park for children (兒童體能探索公園). Besides, the Hongshan Sports Park was awarded the AAA Tourist Attraction by China National Tourist Attractions Quality Evaluation Committee (全國旅遊景區質量等級評定委員會).

LETTER FROM THE BOARD

Save that property certificates have not been obtained for some minor ancillary facilities such as campsite affiliate room, children's park affiliated room, data centre and outer structure of an electric room in Hongshan Sports Park, the development project has obtained all the required business license, special industry period for providing accommodation, sanitation permit for hotel and food distribution permit for providing catering service by the government. The Board is of the view that absence of these property certificates does not give any weight to the value of the Target Companies on the basis that these ancillary facilities do not generate any economic value on a standalone basis and the aggregate area of these ancillary facilities, accounted for less than 0.5% of the total area of Hongshan Sports Park, which is immaterial.

Over the past years, Great Ascent and Yiersan have been benefitting from local government funding and promotion of local tourism. However, there is no guarantee as to the continuing support of the government. Given the long construction period, high capital requirement and vulnerable of the tourism industry to the impact of economic cycles, the payback period of the development project would be relatively long.

Yinmao

Yinmao was founded in 1957 and its predecessor was Nanjing Lead Zinc Silver Mining* (南京鉛鋅銀礦) which was reformed as Nanjing Lead Zinc Silver Mining Limited Company* (南京鉛鋅銀礦業有限公司) in 2001 and established as a corporation in 2007 with a registered capital of RMB50 million. Yinmao is a group company with integrated businesses of electronics, mechanical engineering, mining, chemical engineering, forestry and non-financial modern services.

Heng Sheng

Heng Sheng is principally engaged in asset management; investment management; investment consulting; business management consulting; economic and trade consulting; business planning; financial consulting (excluding audit, capital verification, audit, evaluation, accounting advice, accounting and other businesses which require special approval); project investment and technology promotion services.

OVPD

OVPD is indirectly wholly-owned by OV (HK), an investment holding company, which is in turn indirectly wholly-owned by Mr. Shi, the chairman, chief executive officer and executive director of the Company and is principally engaged in real estate development in the PRC.

LETTER FROM THE BOARD

The Group

The Company was an investment holding company and its subsidiaries were principally engaged in the provision of diversified tourism products such as air tickets and other travel related services, trading and retail of jewellery products, provision of financial services, property development and investment and investment holding business.

On 23 July 2018, the Company entered into a sale and purchase agreement with an independent third party for the disposal of all the interest held by it in a subsidiary which engages in distribution and sale of jewellery products through flagship store and counters of large department stores in Nanjing, the PRC and the disposal was completed on 18 September 2018. For details, please refer to the announcement of the Company dated 23 July 2018 and 18 September 2018. Although the Group has tried various ways to improve the performance of its jewellery business, it still suffered loss. As it is not a core business of the Group and is not expected to be a meaningful driver or contributor to the operating results of the Group, the Board is of the view that through disposing the jewellery business, the Company will be able to focus on travel-related business.

The Group is mainly responsible for providing assistance in the management and operation of the Hongshan Sports Parks, and organizing Hongshan Sports Park tour.

REASONS FOR THE ACQUISITIONS

The Company has been exploring opportunities to expand its travel-related business in order to add momentum to the growth of the Group. In the long run, the Company intends to have its own tourism facilities spots to cater for its potential needs from its clients for accommodation, and explore further business opportunities to yield a higher return to the Shareholders, by investing in property development for providing accommodation such as self-serviced apartments and residential apartments. These self-serviced apartments mainly focus on travellers with superior accommodation quality and comfort with housekeeping and laundry services while residential units mainly focus on intended purchasers who tend to live around scenic spot.

With the consensus of the local government as to the development of the Hongshan Sports Park, including the development of service apartments and residential units in the vicinity on the 6 parcels of land owned by Yiersan, the Acquisitions represent good investment opportunities for the Group to expand its travel business and enter into the real estate sector for the development of self-serviced apartments for leasing and residential apartments for sale in vicinity of tourist attractions, thereby broadening the business scope and increasing the profitability of the Group, which is in line with the Group's long-term strategy. Despite the losses in the past years, it is expected by the Board that revenue of Hongshan Sports Park would be improved and positive profit margin would be generated from 2019 given that (i) the Provincial Horticultural Exhibition to be held in September 2018 and the International Horticultural Exhibition to be held in 2021 would boost the revenue of Hongshan Sports Park; (ii) new facilities would be added so as to capture the increased pax flow; and (iii) the development of the Hongshan Sports Park is supported by the local government. Based on the aforesaid, the Board is of the view that the Acquisitions are good investment opportunities for the Group and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

In the past years, the Group has invested in various tourism-related projects and property development projects, for examples, by establishing “China Tourism Culture Industry Investment Fund” (中國旅遊文化產業投資基金) (the “**Fund**”), the acquisition of a land located at corner Miller Rise, Bankside Rd, Millwater Parkway, Silverdale, Auckland, New Zealand (the “**Land**”), and the acquisition of 40% equity interest and shareholders’ loan in Zhangjiakou Dakun Zhifang Real Estate Development Co., Ltd.* (張家口大坤直方房地產開發有限公司) (“**Dakun Zhifang**”).

The Fund invests in companies that operate in or otherwise derive significant business opportunities in the travel sectors and tourism industry and related projects in the PRC or overseas with focuses on tourism destination development and management, study tour services, health and medical tourism, overseas property purchase tour services and integrated tourism in Beijing – Tianjin – Hebei* (京津冀旅遊一體化).

The Land has been developed in phases, comprising of self-serviced apartments for leasing and residential apartments for sale, approximately 62% out of the total number of units will satisfy the accommodation needs of tours from the PRC organised by China Comfort Travel Group Company Limited, which is owned as to 49% by the Company.

Dakun Zhifang, a company established in the PRC, is primarily involved in real estate development and sales; real estate agencies; property management; sales of building materials; decoration; landscaping; and real estate information service. It is currently developing residential property and tourism facilities on the land it is interested.

In view of the Group’s involvement in tourism destination development and management, development of self-serviced apartments for leasing and residential apartments for sale, the Group has the experience in managing tourism facilities and developing travel-related property and residential property. In addition, Mr. Mo Yueming (“**Mr. Mo**”) and Mr. Shi, our executive Directors, have extensive experience in real estate sector and tourism industry respectively. The Board is of the view that the experience possessed by them would lead to the success of the Hongshan Sports Park development project.

Set out below is the relevant experience and expertise of Mr. Mo and Mr. Shi:

Mr. Mo

Mr. Mo has over 20 years of experience in accounting and corporate management in the tourism industry and other industries, including working as the vice general manager and Chief Accountant of China Pan Travel Industry Development Co., Ltd.* (中國泛旅實業發展股份有限公司) (now known as China Spacesat Co., Ltd. (中國東方紅衛星股份有限公司) (“**China Spacesat**”), a company listed on the Shanghai Stock Exchange with stock code 600118 and Mr. Mo has been a director of China Spacesat since June 2001. China Spacesat was principally engaged in, amongst others, tourism commodity management and tourism facilities; and development and construction of tourism resources until September 2002 and thereafter changed to, amongst others, investment in and operation of travel related project. He has been the senior vice president of Orient Landscape Holdings Co., Ltd.* (東方園林股份公司) and the Chief Operating Officer of Orient Brigade Group* (東方文旅集團) from 28 April 2017 to 27 November 2017.

LETTER FROM THE BOARD

Mr. Shi

Mr. Shi has over 18 years of experience in property development and he is a qualified engineer in the PRC. He is the founder, shareholder and chairman of Orient Victory Cultural & Tourism Group Company Limited* (東勝文化旅遊集團有限公司) (formerly known as Shijiazhuang Orient Victory Investments Group Limited* (石家莊市東勝投資集團有限公司) (“**Shijiazhuang Orient Victory**”)), which is principally engaged in property development, including the development of residential properties, commercial properties, properties and ancillary facilities for the elderly, as well as an ecological park and a culture park in the PRC. Mr. Shi is the vice chairman of the China Real Estate Industry Association and a consultant of its Special Committee for China Urban Development, Special Committee for Elderly Residential Area and Special Committee for China Small Town Development.

Besides, OVPD, a party to the Yiersan Agreement and a company indirectly wholly-owned by Mr. Shi, is principally engaged in real estate development in the PRC. The strategic cooperation with OVPD in the Acquisitions allows the Company to leverage on the business network and expertise of OVPD to gain a firm foothold in the PRC real estate industry. The Group is expected to be benefited from the Acquisitions.

LISTING RULES IMPLICATIONS

Since the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisitions exceed 5% but are less than 25%, the Acquisitions constitute discloseable transactions for the Company under Rule 14.06 of the Listing Rules.

As at the date of this announcement, Mr. Shi Baodong, the chairman and an executive Director of the Company, is the director and ultimate shareholder of OV(HK), which OV(HK) indirectly wholly owns OVPD. Therefore, each of OV(HK) and OVPD is a connected person of the Company under the Listing Rules. Accordingly, each of the Acquisitions constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

EGM

Set out on pages EGM-1 to EGM-2 of this circular is a notice convening the EGM to be held at 11:00 a.m. on Tuesday, 30 October 2018 at conference room of R3 & R4, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong at which ordinary resolution(s) will be proposed to approve the Acquisitions.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. Voting on the proposed resolution at the EGM will be taken by poll.

LETTER FROM THE BOARD

Given OVPD is indirectly wholly-owned by Mr. Shi, the chief executive officer, the chairman and executive director of the Company, Mr. Shi and OVRE, a controlling shareholder of the Company wholly owned by Mr. Shi, will abstain from voting on the ordinary resolution relating to the Acquisitions.

RESPONSIBILITY STATEMENT

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

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the Acquisitions is in the best interests of the Group and the Shareholders as a whole. Accordingly, the Board would recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM.

Should there be any inconsistencies between the English text and the Chinese text of this circular, the English text of this circular will prevail over the Chinese text.

Yours faithfully,
By order of the Board
Orient Victory Travel Group Company Limited
SHI Baodong
Chairman,
Chief Executive Officer and
Executive Director



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)

10 October 2018

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITIONS OF 40% EQUITY INTEREST
IN EACH OF THE TARGET COMPANIES**

We refer to the circular of the Company dated 10 October 2018 (the “**Circular**”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Great Ascent Agreement and Yiersan Agreement are fair and reasonable and whether the entering into of the Great Ascent Agreement and Yiersan Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Pelican Financial Limited has been appointed as the Independent Financial Adviser to advise us in this respect.

Having considered the principal factors and reasons considered by, and the advice of the Independent Financial Adviser as set out in its letter of advice to us on pages 31 to 54 of the Circular, we are of the opinion that the terms of the Great Ascent Agreement and Yiersan Agreement are fair and reasonable and the entering into of the Great Ascent Agreement and Yiersan Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Great Ascent Agreement and Yiersan Agreement and the transactions contemplated thereunder.

Yours faithfully

For and on behalf of

Independent Board Committee

Dong Xiaojie

He Qi

Suei Feng-jih

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



PELICAN FINANCIAL LIMITED

14th Floor, Shanghai Industrial Investment Building, 48 Hennessy Road, Wanchai, Hong Kong

10 October 2018

*To the Independent Board Committee and the
Independent Shareholders of Orient Victory Travel Group Company Limited*

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO THE ACQUISITIONS OF
40% EQUITY INTEREST IN
EACH OF THE TARGET COMPANIES**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisitions. Details of the Acquisitions are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 10 October 2018 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 22 January 2018, the Company has entered into the following agreements:

- (i) the Great Ascent Agreement (as supplemented by the Great Ascent Supplemental Agreement) with OV(HK), Heng Sheng and Mr. Li Jun Bang, pursuant to which the Great Ascent Purchasers have conditionally agreed to acquire and Mr. Li Jun Bang has conditionally agreed to sell 90% of the issued share capital of Great Ascent, at the consideration of RMB46,800,000 (equivalent to approximately HK\$57,456,000), of which four-ninths (4/9) will be satisfied by cash by the Company (i.e. RMB20,800,000 (equivalent to approximately HK\$25,536,000)).
- (ii) The Yiersan Agreement (as supplemented by the Yiersan Supplemental Agreement) with OVPD, Heng Sheng, Yinmao and Mr. Nie Jiangqiang, pursuant to which the Yiersan Purchasers have conditionally agreed to acquire and the Yiersan Vendors have conditionally agreed to sell the entire equity interest of Yiersan, at the consideration of RMB82,000,000 (equivalent to approximately HK\$100,671,000), of which 40% of which will be satisfied by cash by the Company (i.e. RMB32,800,000 (equivalent to approximately HK\$40,268,560)).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Since the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisitions exceed 5% but are less than 25%, the Acquisitions constitute discloseable transactions for the Company under Rule 14.06 of the Listing Rules. Further, as at the Latest Practicable Date, Mr. Shi Baodong, the chairman, chief executive director and an executive Director of the Company, is the director and ultimate shareholder of OV(HK), which indirectly wholly owns OVPD. Therefore, each of OV(HK) and OVPD is a connected person of the Company under the Listing Rules. Accordingly, each of the Acquisitions constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors. The Independent Board Committee, which is currently comprising of all the independent non-executive Directors, namely Mr. Dong Xiaojie, Mr. He Qi and Mr. Sui Feng-jih, has been established to give advice and recommendation to the Independent Shareholders in respect of the Acquisitions. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect, and such appointment has been approved by the Independent Board Committee.

We are not connected with the directors, chief executive or substantial shareholders of the Company or any of their respective associates and there is also no relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence to act as independent financial adviser to the Company and therefore we are suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. In the last two years, apart from our role as independent financial adviser, there was no other engagement between the Company and us. In addition, apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive or substantial shareholders of the Company or any of their respective associates.

Our role is to provide you with our independent opinion and recommendation as to whether the terms of the Great Ascent Agreement and the Yiersan Agreement and the transactions contemplated thereunder respectively are on normal commercial terms and whether the Acquisitions are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole and how the Independent Board Committee should advise the Independent Shareholders to and how the Independent Shareholders should vote in respect of the relevant resolution to approve the Great Ascent Agreement and the Yiersan Agreement at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions. Our procedures include, among others, review of relevant agreements, documents and information provided by the Company and validated them, to a reasonable extent, with the relevant public or third-party information, market statistics and data and/or with those information, facts and representations provided, and the opinions expressed, by the Company, the Directors and/or the management of the Group (including those related to Great Ascent and Yiersan). The documents reviewed include, among others, the Great Ascent Agreement, the Great Ascent Supplemental Agreement, the Yiersan Agreement, the Yiersan Supplemental Agreement, the valuation report on Great Ascent and Yiersan prepared by Flagship Appraisals and Consulting Limited, the annual report of the Company for the financial year ended 31 December 2017 (the “**2017 Annual Report**”), the financial information of Great Ascent and Yiersan for the two financial years ended 31 December 2017 and the Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Acquisitions, we have considered the following principal factors and reasons:

1. Background of and reasons for the Acquisitions

1.1 Background information of the Group

The Group strives to be an integrated tourism operator. Currently, the Group is principally engaged in the provision of diversified tourism products such as air tickets and other travel related services and property development and investment. Besides, it is also engaged in the provision of financial services and other investment holding business.

Set out below is a summary of the financial information of the Group for the two years ended 31 December 2017 as extracted from the 2017 Annual Report.

Consolidated statement of profit or loss

	For the year ended	
	31 December	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	264,570	109,417
Profit/(Loss) attributable to owners of the Company	(46,846)	(191,816)

Consolidated statement of financial position

	As at 31 December	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	926,022	823,178
Total liabilities	67,698	80,825
Net assets	858,324	742,353

As set out in 2017 Annual Report, the Group's revenue increased by approximately 141.8% to approximately HK\$264.6 million for the year ended 31 December 2017 from approximately HK\$109.4 million for the year ended 31 December 2016. The increase in revenue was mainly due to the travel related and other services segment recorded an increase in revenue from approximately HK\$78.3 million for the year ended 31 December 2016 to approximately HK\$236.3 million for the year ended 31 December 2017 where such increase was attributable to the sale of air tickets being recognised on a gross basis instead of a net basis. The Group also recorded a loss attributable to owners of the Company of approximately

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

HK\$46.8 million for the year ended 31 December 2017 as compared to a loss attributable to owners of the Company of approximately HK\$191.8 million for the year ended 31 December 2016. The decrease in the loss attributable to owners of the Company was mainly due to, amongst others, an absence of asset impairment for an associate of the Group and the net amortised finance charge for the year ended 31 December 2017.

As at 31 December 2017, the Group recorded audited total assets, total liabilities and net assets of approximately HK\$926.0 million, HK\$67.7 million and HK\$858.3 million respectively.

Looking forward, as set out in the 2017 Annual Report, the Group is exploring potential opportunities incidental to the travel industry, including but not limited to acquisition of land and construction of self-serviced and residential units. The Group will focus on investment in travel resources, increasing its market share in the tourism market and enhancing its influence in the financial service and property development industries, aiming to turn the Group into a comprehensive service provider.

1.2 Background information of Great Ascent

Great Ascent is a company established in Hong Kong and was incorporated on 13 September 2007 with an issued capital of HK\$10,000. As at the Latest Practicable Date, Great Ascent is wholly and beneficially owned by Mr. Li Jun Bang. Great Ascent wholly owns Hongshan, a company incorporated in the PRC, which has exclusive operation right in Hongshan Sports Park and it is the sole asset of Great Ascent. Great Ascent and its subsidiary are primarily involved in tourism projects.

According to the adjusted unaudited consolidated management account records of the group of Great Ascent, the net liabilities of the group of Great Ascent (excluding YZ Great Ascent) as at 31 December 2017 were approximately HK\$81,629,000. The financial results of the group of Great Ascent (excluding YZ Great Ascent) for the year ended 31 December 2016 and 2017 are as follows:

	For the year ended	
	31 December	
	2016	2017
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before tax	19,541	14,944
Loss after tax	19,541	14,944

Note: Based on the most recent available adjusted unaudited consolidated management account record of the group of Great Ascent (excluding YZ Great Ascent) as at 31 December 2016 and 2017.

Upon completion, the Company will hold 40% of the issued share capital of Great Ascent and Great Ascent will become an associate of the Company.

Further information on Great Ascent and Hongshan (including Hongshan Sports Park) are also set out in the Letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.3 Background information of Yiersan

Yiersan is a company established in the PRC and was incorporated on 17 March 2011 with the registered and paid-in capital of RMB50,000,000. As at the Latest Practicable Date, Yiersan is wholly and beneficially owned by the Yiersan Vendors. It is principally engaged in real estate development and management, property services, real estate agencies, construction consulting services and sales of building materials. Its equity interest is owned as to 90% and 10% by Yinmao and Mr. Nie Jiangqiang respectively.

Yiersan and its subsidiary are primarily involved in real estate development and management; property services; real estate agencies; construction consulting services and sales of building materials and its major assets is a piece of 48.66 mu residential land located in Hongshan Sports Park.

According to the adjusted unaudited consolidated management account records of the group of Yiersan, the net assets of the group of Yiersan as at 31 December 2017 were approximately HK\$53,306,000. The financial results of the group of Yiersan for the year ended 31 December 2016 and 2017 are as follows:

	For the year ended	
	31 December	
	2016	2017
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before tax	878	983
Loss after tax	878	983

Note: Based on the most recent available adjusted unaudited consolidated management account record of the group of Yiersan as at 31 December 2016 and 2017.

Upon completion, the Company will hold 40% of the issued share capital of Yiersan and Yiersan will become an associate of the Company.

Further information on Yiersan is also set out in the Letter from the Board.

1.4 Reasons for and benefits of the Acquisitions

As set out in the sub-section “Background information of the Group” above, the Group is principally engaged in the provision of diversified tourism products such as air tickets and other travel related services and property development and investment. Further, as discussed with the management of the Company, the Company has been exploring opportunities to expand its travel-related business in order to add momentum to the growth of the Group. For example, on 12 June 2018, the Company announced the acquisition of 40% equity interest in Zhangjiakou Dakun Zhifang Real Estate Development Co., Limited which involved the development of residential property and tourism facilities in Zhangjiakou. Further, the Group has established “China Tourism Culture Industry Investment Fund” (中國旅遊文化產業投資基金) (the “**Fund**”) and acquired a land located at corner Miller Rise, Bankside Rd, Millwater Parkway, Silverdale, Auckland, New Zealand (the “**Land**”), and the acquisition of 40% equity interest and shareholders’ loan in Zhangjiakou Dakun Zhifang Real Estate Development Co., Ltd.* (張家口大坤直方房地產開發有限公司) (“Dakun Zhifang”). The Fund invests in companies that operate in or otherwise derive significant business opportunities in the travel sectors and tourism industry and related projects in the PRC or overseas with focuses on tourism destination development and management, etc. The Land has been developed in phases, comprising of self-serviced units and sale residential units.

In line with the business development of the Group, it is the intention of the Company to have its own tourism facilities spots with accommodation to cater for the potential needs from its clients by investing in property development for providing accommodation to travelers. As such, we understand that the Group has been seeking for tourism development projects with accommodation and recreational facilities.

Hongshan Sports Park development project is a cultural sports tourism development project operated by Hongshan and Yiersan jointly. The Hongshan Sports Park can be divided into four tourist areas, namely, (i) sky area which provides activities such as powered paragliding; (ii) ground area which provides activities such as equestrian, archery, shooting and karting; (iii) water area which provides activities such as assault boat, bumper boat, bamboo raft and fishing; and (iv) forest area which mainly consists of Yinghua Garden (櫻花園) and a force and skill park for children (兒童體能探索公園). Besides, the Hongshan Sports Park was awarded the AAA Tourist Attraction by China National Tourist Attractions Quality Evaluation Committee (全國旅遊景區質量等級評定委員會).

As to the development plan of Hongshan Sports Park, it is expected that the development of the project is to be divided into three stages. The first stage kicked off in 2009 and completed in 2013 for the establishment of accommodation and recreational facilities, during which land, water and aerial recreational and entertainment facilities, log cabin hotels and restaurants were established. The second stage started in 2014 and completed in 2018 for the establishment of pleasure grounds and gardens, during which Yinghua Garden (櫻花園) and a force and skill park for children (兒童體能探索公園) were established in the Hongshan Sports Park. The third stage is expected to commence in 2019 and is expected to be completed in 2023 for the purpose of improving the Hongshan Sports Park.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We understand that over the past years, Great Ascent and Yiersan have been benefitting from local government support of local tourism. With the consensus of the local government as to the development of the Hongshan Sports Park, including the development of service apartments and residential units in the vicinity on the 6 parcels of land owned by Yiersan, the Acquisitions represent good investment opportunities for the Group to expand its travel business and to enter into the real estate sector which is expected to broaden the business scope and increase the profitability of the Group, which is in line with the Group's long-term strategy.

We understand that after completion of the Acquisitions, the Company will be able to provide assistance in relation to the management and operation of the Hongshan Sports Park. In this regard, we have reviewed the background and experience of Mr. Mo Yueming ("Mr. Mo") and Mr. Shi, the executive Directors. We noted that Mr. Mo has over 20 years of experience in accounting and corporate management in the tourism industry and other industries and he had served as senior management in companies which engaged in various tourism projects in the PRC. Mr. Shi has over 17 years of experience in property development and he is a qualified engineer in the PRC and he is serving in various committees and associations regarding the real estate industry in the PRC. For further details of Mr. Mo and Mr. Shi, please refer to the Letter from the Board. Given the experience of Mr. Mo and Mr. Shi, we are of the view that they will be able to provide the necessary experience and resources to the development of the Hongshan Sports Park and to contribute in the future success of the project.

As the Acquisitions are pertaining to the acquisition of tourism and property projects situated in the Jiangsu Province of the PRC, we have reviewed the tourism and property market in the PRC and the Jiangsu Province.

Tourism market

To assess the merits of the tourism market in the PRC and the Jiangsu Province, we have reviewed the statistics in relation to the tourism market in the PRC and the Jiangsu Province. According to the National Bureau of Statistics of the PRC, the number of overnight tourists' arrivals in the PRC grew from approximately 55.62 million tourists in 2014 to 59.27 million tourists in 2016, representing a compound annual growth rate ("CAGR") of approximately 3.2%.

As for the Jiangsu Province, according to National Bureau of Statistics of the PRC, the number of overseas visitor arrivals in the Jiangsu Province grew from approximately 2.97 million visitors in 2014 to 3.30 million visitors in 2016, representing a CAGR of approximately 5.4%.

In view of the above, the overall trend in the tourism industry in the PRC and the Jiangsu Province is positive.

Property market

Given that the Acquisitions involved the development of properties as accommodation and support to the Hongshan Sports Park in Jiangsu Province, we

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

have reviewed the general property market in the PRC and the Jiangsu Province. To assess the merits of the property market in the Jiangsu Province, we have reviewed the statistics in relation to the property market in the PRC and the Jiangsu Province. According to the National Bureau of Statistics of the PRC, the Gross Domestic Product (“GDP”) of the PRC increased from RMB64,397.4 billion in 2014 to RMB74,358.6 billion in 2016, representing a CAGR of approximately 7.5%.

As for the Jiangsu Province, according to National Bureau of Statistics of the PRC, the gross regional product of the Jiangsu Province grew from RMB6,508.8 billion in 2014 to RMB7,738.8 billion in 2016, representing a CAGR of approximately 9.0%.

The PRC property market has also benefited from the growth of the PRC economy and per capita annual disposable income for urban households. According to the National Bureau of Statistics of the PRC, the national sales of commercialized buildings and residential buildings grew from approximately RMB7,629.2 billion in 2014 to approximately RMB11,762.7 billion in 2016, representing a CAGR of approximately 24.2% and from approximately RMB6,241.1 billion in 2014 to approximately RMB9,906.4 billion in 2016, representing a CAGR of approximately 26.0% respectively. Further, according to the National Bureau of Statistics of the PRC, investment completed by enterprises for real estate development from approximately RMB9,503.6 billion in 2014 to approximately RMB10,258.1 billion in 2016, representing a CAGR of approximately 3.9%. The overall growth trend in the national real estate development and investment shows the positive outlook real estate developers on the long-term trend of the overall PRC property market.

The positive trend of the PRC property market is also reflected in the Jiangsu Province. According to the National Bureau of Statistics of the PRC, the sales of commercialized buildings and residential buildings in the Jiangsu Province has increased from approximately RMB689.8 billion in 2014 to approximately RMB1,229.3 billion in 2016, representing a CAGR of approximately 33.5% and from approximately RMB597.0 billion in 2014 to approximately RMB1,105.5 billion in 2016, representing a CAGR of approximately 36.1% respectively.

In view of the above, the overall trend in the property market in the PRC and the Jiangsu Province is positive.

In light of the above and in particular that (i) the Group is principally engaged in the provision of diversified tourism products such as air tickets and other travel related services; (ii) the Company has been exploring opportunities to expand its travel-related business; (iii) the Acquisitions represent investment opportunities for the Group to expand its travel business and also to enter in the real estate sector which will broaden the business scope; and (iv) the positive trend of the tourism market and property market in the PRC and the Jiangsu Province, we are of the view that the Acquisitions are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. The Great Ascent Agreement

The following sets out the principal terms of the Great Ascent Agreement:

Date: 22 January 2018 (as amended and supplemented by the Great Ascent Supplemental Agreement dated 6 June 2018)

Parties: Purchasers:

(1) the Company

(2) OV(HK)

(3) Heng Sheng

Vendor:

Mr. Li Jun Bang, a merchant

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Heng Sheng, its ultimate beneficial owner(s) and Mr. Li Jun Bang are third parties independent of the Company and its respective connected persons. Furthermore, (i) Heng Sheng and its ultimate beneficial owner(s); and (ii) Mr. Li Jun Bang are not related to each other.

Equity Interest to be acquired by each of the Great Ascent Purchasers:

(1) the Company: 40%;

(2) OV(HK): 40%; and

(3) Heng Sheng: 10%

of the issued share capital of Great Ascent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Consideration:

- (1) The adjusted consideration for the Great Ascent Acquisition is RMB20,800,000 (equivalent to approximately HK\$25,536,000), representing four-ninths (4/9) of the adjusted total consideration of RMB46,800,000 (equivalent to approximately HK\$57,456,000) for the acquisition of 90% of the issued share capital of Great Ascent according to the valuation report on Great Ascent prepared by the Valuer, which will be settled in cash by the Company.

The Great Ascent Purchasers are entitled to withhold RMB2,000,000 (equivalent to approximately HK\$2,455,000) from the balance of consideration in securing Mr. Li Jun Bang's undertakings under the Great Ascent Agreement.

- (2) The repayment of bank loans owed by Great Ascent, Hongshan and its subsidiaries of approximately RMB50,000,000 (equivalent to approximately HK\$61,385,000) shall be borne by OV(HK) and Heng Sheng in the proportion of four-fifths (4/5) and one-fifth (1/5) respectively and will be repaid in cash. The Company shall not be required to bear the said bank loans.
- (3) The repayment of other loans owed by Great Ascent, Hongshan and its subsidiaries to Great Ascent's existing shareholder and associated companies of approximately RMB56,200,000 (equivalent to approximately HK\$68,997,000) shall be borne by OV(HK) and Heng Sheng in the proportion of four-fifths (4/5) and one-fifth (1/5) respectively. The Company shall not be required to bear the said other loans.

- (4) Each party to the Great Ascent Supplemental Agreement confirmed that all the amount due for the contract works under the development project of the Hongshan Sports Park, including those incurred by Great Ascent, its subsidiaries and associated companies, approximately RMB13,540,000 (equivalent to approximately HK\$16,623,000) in aggregate, shall be borne by OV(HK) and Heng Sheng in the proportion of four-fifths (4/5) and one-fifth (1/5) respectively after the completion of the Great Ascent Acquisition.
- (5) The Great Ascent Acquisition does not include any subsidiaries of Great Ascent (the “**Excluded Subsidiaries**”) other than Hongshan and the subsidiaries of Hongshan. The Excluded Subsidiaries shall be disposed of within 6 months from the date of the Great Ascent Supplemental Agreement or before any other later date as agreed by the Great Ascent Purchasers. For the avoidance of doubt, YZ Great Ascent shall be disposed of, and all assets and liabilities of YZ Great Ascent and all the Excluded Subsidiaries shall not form part of the Great Ascent Acquisition.

The Company only has to pay RMB20,800,000 (equivalent to approximately HK\$25,536,000) to Mr. Li Jun Bang as part of the Great Ascent Consideration.

Given that the Company is not required to bear the loans and obligations as set out in (2) to (4) above and that Mr. Li Jun Bang shall take up or waive the liabilities mentioned in (5), we are of the view that such terms are favourable to the Company that they are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Further analysis of the consideration for the Great Ascent Acquisition is set out in the sub-section “Analysis on the fairness and reasonableness of the considerations” of this letter below.

Payment Terms:

- (1) RMB500,000 (equivalent to approximately HK\$613,850) earnest money shall be payable in proportion within 3 Business Days from the date of the Great Ascent Agreement;
- (2) 51% of (i) the Great Ascent Consideration (after deducting the earnest money) at RMB23,868,000 (equivalent to approximately HK\$29,303,000) and (ii) the repayment of other loan(s) at RMB28,662,000 (equivalent to approximately HK\$35,188,000) shall be payable in proportion within 3 Business Days after stamping on the transfer documents for the transfer of 90% of issued share capital of Great Ascent;
- (3) 29% of (i) the Great Ascent Consideration at RMB13,572,000 (equivalent to approximately HK\$16,662,000) and (ii) the repayment of other loan(s) at RMB16,298,000 (equivalent to approximately HK\$20,009,000) shall be payable in proportion within 7 Business Days after the execution of a land assignment in respect of 80.22 mu of land in Hongshan Sports Park;
- (4) 20% of (i) the Great Ascent Consideration at RMB9,360,000 (equivalent to approximately HK\$11,491,000) less RMB2,000,000 (equivalent to approximately HK\$2,455,000) and (ii) the repayment of other loan(s) at RMB11,240,000 (equivalent to approximately HK\$13,800,000) shall be payable in proportion within 7 Business Days after the execution of a land assignment in respect of 38.44 mu of land in Hongshan Sports Park; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (5) RMB2,000,000 (equivalent to approximately HK\$2,455,000) withheld from the balance of consideration in securing Mr. Li Jun Bang's undertakings under the Great Ascent Agreement 2 years after the stamping on the transfer documents for the transfer of 90% of issued share capital of Great Ascent.

Default Rate: 3‰ per day for late payment of each of the abovesaid payment term.

Debt Restructuring: The arrangement to be agreed between the parties to deal with the debt of Great Ascent and its subsidiary as revealed in the Great Ascent Purchasers' due diligence report.

Further information on the Great Ascent Agreement (including the Great Ascent Supplemental Agreement) is also set out in the Letter from the Board.

Undertakings from Mr. Li Jun Bang

Mr. Li Jun Bang shall fulfill, among others, the following conditions and obtain the confirmation from the Great Ascent Purchasers before the later of the Long Stop Date and the registration of the share transfer of Great Ascent:

(1) Accounting Compliance

From the date of the Great Ascent Supplemental Agreement, Mr. Li Jun Bang shall designate professional personnel to rectify and address the relevant financial and tax issues subsisted and discovered in the due diligence conducted on each of the companies of the Hongshan Sports Park development project. Further details on the financial and tax issues are set out in the Letter from the Board.

(2) Government Matters

Mr. Li Jun Bang shall communicate with the local government for the completion of the following matters as soon as possible:

- A. 36.78 mu of land within the land lot No. 4 of Hongshan Sports Park development project which was not included in the leasing area set out in the subcontracting agreement had been changed to leasehold land and no relevant agreement has been extended yet. Mr. Li Jun Bang shall communicate with the government and enter into a relevant supplemental agreement as soon as possible.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- B. In relation to the non-payment of the auction price in the sum of RMB9,720,000.00 (equivalent to approximately HK\$11,933,000.00), which was agreed by the local authority to be paid by way of yearly rent, settle the legacy land rent issue as soon as possible and request the issuance of written document or the execution of any relevant supplemental agreement in relation to the relief of rent in the amount of RMB9,720,000 (equivalent to approximately HK\$11,933,000) by the government as soon as possible, or settle the payment in relation to the auction of property in the amount of RMB9,720,000 (equivalent to approximately HK\$11,933,000).

(3) Annual Inspection of Subsidiaries

According to the online research made on the website of Administration for Industry and Commerce, the Nanjing branch and Yangzhou branch of Hongshan are listed as abnormal operation by the local administration authority for the reason of failure to submit annual report as required. Mr. Li Jun Bang shall address the issues as soon as possible and resume the normal operation status of such branches.

(4) Project of Yinghua Garden (櫻花園)

Mr. Li Jun Bang shall provide plans to follow up with the project of Yinghua Garden (櫻花園), in which thousands of cherry blossoms will be transplanted or planted in the Hongshan Sports Park, and be responsible for handling subsequent operation of the Yinghua Garden (櫻花園).

(5) Third-Party Cooperation Projects

For all the cooperation agreements entered into between Hongshan and other third-party, Mr. Li Jun Bang shall communicate with each party involved for the coordination of the subsequent business plan of Hongshan Sports Park. Mr. Li Jun Bang shall be responsible for the adverse consequences arising from the conflict between such cooperation agreements and the subsequent development and operation plan of Hongshan Sports Park, including but not limited to compensation and termination with indemnity, etc.

- (6) Mr. Li Jun Bang shall properly settle the payment issue in relation to the acquisition of equity interest of Hongshan by Great Ascent and provide written evidence proving the settlement.

- (7) For the lawful dismissal of all employees of the Hongshan Sports Park development project, Mr. Li Jun Bang shall make proper payment of all outstanding wages, social insurance, compensation and other fees, and provide written evidence proving such lawful dismissal. Mr. Li Jun Bang shall bear all the related expenses by himself alone.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (8) Mr. Li Jun Bang shall provide Great Ascent Purchasers with an organizational chart of Great Ascent and its subsidiaries signed and confirmed by a director of Great Ascent.

If the abovementioned matters are not fully completed within the specified time and delay of which would seriously affect the operation of the Great Ascent Purchasers, Great Ascent and Hongshan, the Great Ascent Purchasers are entitled to delay in performance of their obligations under the Great Assent Agreement until the settlement of the abovementioned matters until such other later date when the fulfillment of the matters is agreed between Mr. Li Jun Bang and the Great Ascent Purchasers.

We have reviewed the “Undertakings from Mr. Li Jun Bang” as set out above and given that the items listed thereunder are to ensure that the operation of the Great Ascent Purchasers, Great Ascent and Hongshan will not be affected and that these conditions must be fulfilled at the latest before the registration of the share transfer of Great Ascent and the failing of any of which will trigger non-satisfaction of the due diligence results in relation to the assets, liabilities and operation of Great Ascent, the Company and the other Great Ascent Purchasers are entitled to delay the performance of their obligations under the Great Assent Agreement (including the payment of the consideration for the Great Ascent Acquisition) and terminate the Great Ascent Agreement, we are of the view that the “Undertakings from Mr. Li Jun Bang” is favourable to the Company and therefore is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

3. The Yiersan Agreement

The following sets out the principal terms of the Yiersan Agreement:

Date: 22 January 2018 (as amended and supplemented by the Yiersan Supplemental Agreement dated 6 June 2018)

Parties: Purchasers:

(1) the Company

(2) OVPD

(3) Heng Sheng

Vendors:

(1) Yinmao

(2) Mr. Nie Jiangqiang, a merchant

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

**Equity Interest to be acquired
by each of the Yiersan
Purchasers:**

- (1) the Company: 40%;
- (2) OVPD: 40%; and
- (3) Heng Sheng: 20%

of the equity interest in Yiersan.

Consideration:

The adjusted consideration for the Yiersan Acquisition is RMB32,800,000 (equivalent to approximately HK\$40,268,560), representing 40% of the adjusted total consideration of RMB82,000,000 (equivalent to approximately HK\$100,671,000) for the acquisition of the entire equity interest in Yiersan according to the valuation report on Yiersan prepared by the Valuer, which will be settled in cash by the Company.

Payment Terms:

- (1) RMB500,000 (equivalent to approximately HK\$613,850) earnest money shall be payable in proportion within 3 Business Days from the date of the Yiersan Agreement;
- (2) 51% of the Yiersan consideration (after deducting the earnest money) at RMB41,820,000 (equivalent to approximately HK\$51,342,000) shall be payable in proportion within 3 Business Days after the transfer of the entire equity interest in Yiersan to Yiersan Purchasers;
- (3) 29% of the Yiersan consideration at RMB23,780,000 (equivalent to approximately HK\$29,195,000) shall be payable in proportion within 7 Business Days after the execution of a land assignment in respect of 80.22 mu of land in Hongshan Sports Park;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (4) 20% of the Yiersan consideration at RMB16,400,000 (equivalent to approximately HK\$20,134,000) less RMB 1,000,000 (equivalent to approximately HK\$1,228,000) shall be payable in proportion within 7 Business Days after the execution of a land assignment in respect of 38.44 mu of land in Hongshan Sports Park; and
- (5) RMB1,000,000 (equivalent to approximately HK\$1,228,000) withheld from the balance of consideration in securing the Yiersan Vendors' undertakings under the Yiersan Agreement 2 years after the registration of the transfer of the entire equity interest in Yiersan.

Default Rate: 3‰ per day for late payment of each of the abovesaid payment term

Debt Restructuring: The arrangement of the debt of Yiersan as at the date of the completion of the registration of the entire equity interest of Yiersan pursuant to the Yiersan Agreement to be borne by the Yiersan Vendors

Further information on the Yiersan Agreement (including the Yiersan Supplemental Agreement) is also set out in the Letter from the Board.

Undertakings from the Yiersan Vendors

The Yiersan Vendors shall fulfill, among others, the following conditions and obtain the confirmation from the Yiersan Purchasers before the later of the Long Stop Date and the registration of the transfer of the equity interest of Yiersan:

(1) Accounting Compliance

From the date of the Yiersan Supplemental Agreement, Yiersan Vendors shall designate professional personnel to rectify and address the relevant financial and tax issues subsisted and discovered in the due diligence conducted on Yiersan. Further details on the financial and tax issues are set out in the Letter from the Board.

- (2) The Yiersan Vendors provide the Yiersan Purchasers with an organizational chart of Yiersan and its subsidiaries signed and confirmed by a director of Yiersan.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

If the abovementioned matter is not fully completed within the specified time and delay of which would seriously affect the operation of the Yiersan Purchasers and Yiersan, the Yiersan Purchasers are entitled to delay the performance of their obligations under the Yiersan Agreement until the settlement of the abovementioned matter until such other later date when the fulfillment of the matters is agreed between the Yiersan Vendors and the Yiersan Purchasers.

We have reviewed the “Undertakings from the Yiersan Vendors” as set out above and given that the items listed thereunder are to ensure that the operation of the Yiersan Purchasers and Yiersan will not be affected and that these conditions must be fulfilled at the latest before the registration of the transfer of the equity interest of Yiersan and the failing of any of which will trigger non-satisfaction of the due diligence results in relation to the assets, liabilities and operation of Yiersan, the Company and the other Yiersan Purchasers are entitled to delay the performance of their obligations under the Yiersan Agreement (including the payment of the consideration for the Yiersan Acquisition) and terminate the Yiersan Agreement, we are of the view that the “Undertakings from the Yiersan Vendors” is favourable to the Company and therefore is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

4. Analysis on the fairness and reasonableness of the considerations

The considerations for the Great Ascent Acquisition and the Yiersan Acquisition were determined after arm’s length negotiations between the parties.

As set out in the Letter from the Board, the considerations for the Great Ascent Acquisition and the Yiersan Acquisition were made with reference to the valuations prepared by the Valuer, Flagship Appraisals and Consulting Limited. The valuation report is set out in Appendix I of the Circular. According to the Valuer, the fair value of Great Ascent and Yiersan is RMB52 million and RMB82 million respectively.

Great Ascent

According to the Valuer, the fair net asset value of Great Ascent is RMB52 million. We have reviewed the valuation of Great Ascent (the “**Great Ascent Valuation**”) (including the fairness and reasonableness of the basis and assumptions) and discussed with the Valuer regarding the methodologies adopted for and the bases and assumptions used in arriving at the Great Ascent Valuation. In the course of our discussion with the Valuer, we understand that the Valuer has adopted a composite valuation method to value Great Ascent using the cost approach and the income approach.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The cost approach has been used to value the assets of Great Ascent other than Hongshan (the major operating assets of Great Ascent; the remaining assets of Great Ascent mainly consists of cash and cash equivalents). The cost approach is a general way of determining the value of a company based on the values of its underlying assets. Value is established based on the principle of substitution. It means the value of a business ownership interest depends on the cost of reproducing or replacing the net asset after considering depreciation from physical deterioration as well as functional and economic obsolescence, if present and measurable. Under this approach, the Valuer has obtained the balance sheet of Great Ascent as at the valuation date and made adjustments to the items on the balance sheet when necessary to calculate the adjusted net asset value of Great Ascent. As Great Ascent did not have any operation as at the valuation date and was established to hold the equity interests in Hongshan, which was the operating company for Hongshan Park, the value of Great Ascent was reflected in the equity interests in Hongshan (therefore no consolidation is needed) and cash held by Great Ascent, which does not require any fair value adjustment. Having considered the above, we concurred with the Valuer that the cost approach is an appropriate valuation methodology to value the assets of Great Ascent other than Hongshan.

With respect to Hongshan, the Valuer has adopted the income approach to value Hongshan. The income approach is a general way of determining a fair value indication of a business ownership interest by using one or more methods that convert anticipated benefits into a present value amount. Value is established based on the principle of anticipation. It means the value of a business ownership interest is the sum of the present value of future economic benefit streams. Given that Hongshan is a business entity which has been operating for a number of years, therefore, its fair value can be ascertained reasonably based on the present value of its forecast income. In this respect, we concurred with the Valuer that the income approach is an appropriate valuation methodology to value Hongshan.

In determining the fairness and reasonableness of the value of Hongshan, we have discussed with the Valuer the basis and assumptions under the income approach (discounted cash flow method under the income approach has been adopted) and obtained and reviewed the relevant supporting information and documents (i.e., financial information of Hongshan for the year ended 31 December 2017, presentation and information as prepared by Hongshan containing the overview on and description of Hongshan Sports Park such as its layout and various facilities and attractions which provide a general view for the Valuer to understand the Hongshan Sports Park development project, financial forecast of Hongshan and the relevant schedules of their calculation and comparables in arriving at the weighted average cost of capital (the “**Valuer Comparables**”)).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Under the discounted cash flow by the Valuer, the key assumptions are as follows:

- (a) There will be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in the PRC, and the region where the Target Companies are carrying on their businesses;
- (b) There will be no significant deviation in the industry trend and market condition from current market expectation;
- (c) There will be no major change in the current taxation law and policies against the real estate and leisure industries in the PRC;
- (d) All relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, remain in good standing, and can be procured with no additional costs or fees;
- (e) The Target Companies will retain competent management, key personnel and technical staff to support their on-going business operations;
- (f) The provided financial projection will be realised;
- (g) The Target Companies do not have any contingent liabilities;
- (h) The Provincial Horticultural Exhibition and the International Horticultural Exhibition held nearby Hongshan Sports Park will be successful and boost the number of visitors to the park;
- (i) Existing capacity of Hongshan Sports Park is sufficient for the increasing number of visitors; and
- (j) The expected capital expenditure would be adequate for improving the facilities.

In arriving at the weighted average cost of capital under the discounted cash flow by the Valuer, the Valuer has made reference to the average capital structure of the Valuer Comparables. The Valuer has selected 10 Valuer Comparables. We have discussed with the Valuer in the selection of the Valuer Comparables and also reviewed the financial reports, websites and/or other published information of the Valuer Comparables and noted that all of the Valuer Comparables operate and/or manage tourism projects (i.e., theme parks, leisure facilities, tourist destinations, etc) in the PRC/Asia which are similar in nature to the Hongshan Sports Park.

In light of the above and also after having discussed with the Valuer and reviewed of the information and documents as set out above, we are of the view that the Valuer Comparables are fair and representative and that the discounted cash flow prepared by the Valuer is properly complied and no adjustments would be required to be made to it and that the underlying assumptions are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The fair value of Great Ascent is the aggregate of the value of Hongshan under the income approach, the value of the other assets and liabilities under the cost approach and the adjustments required to be made under the cost approach. In determining the fairness and reasonableness of the valuation of the fair value of Great Ascent, we have discussed with the Valuer the basis and assumptions and also obtained and reviewed the relevant supporting information and documents (i.e., financial information of Great Ascent for the year ended 31 December 2017, presentation and information as prepared by Hongshan containing the overview on and description of Hongshan Sports Park such as its layout and various facilities and attractions and the financial due diligence report and the legal due diligence report relating to Great Ascent and Yiersan). In our discussion with the Valuer and our review of the information and documents, we are of the view that the fair value of Great Ascent is properly complied and that the underlying bases and assumptions are fair and reasonable.

Having taken into consideration of the factors discussed above, we concurred with the Valuer that the methodologies, the bases and assumptions in establishing the Great Ascent Valuation and the Great Ascent Valuation are fair and reasonable.

Yiersan

According to the Valuer, the fair net asset value of Yiersan is RMB82 million. We have reviewed the valuation of Yiersan (the “**Yiersan Valuation**”) (including the fairness and reasonableness of the basis and assumptions) and discussed with the Valuer regarding the methodologies adopted for and the bases and assumptions used in arriving at the Yiersan Valuation. In the course of our discussion with the Valuer, we understand that the Valuer has adopted the cost approach for the Yiersan Valuation which we concurred with the Valuer as an appropriate valuation methodology to value Yiersan. Under this approach, the Valuer has obtained the balance sheet of Yiersan as at the valuation date and made adjustments to the items on the balance sheet when necessary. The fair value of Yiersan is therefore the aggregate of the value of the assets and liabilities and the adjustments required to be made thereto. In determining the fairness and reasonableness of the fair value of Yiersan, we have discussed with the Valuer the bases and assumptions and also obtained and reviewed the relevant supporting information and documents (i.e., financial information of Yiersan for the year ended 31 December 2017, presentation on Hongshan Sports Park and the financial due diligence report and the legal due diligence report relating to Great Ascent and Yiersan). In our discussion with the Valuer and our review of the information and documents, we are of the view that the adjusted net asset value of Yiersan is properly complied and that the underlying bases and assumptions are fair and reasonable.

Having taken into consideration of the factors discussed above, we concurred with the Valuer that the methodologies, the bases and assumptions in establishing the Yiersan Valuation and the Yiersan Valuation are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, during our discussion with the Valuer regarding the basis and assumptions of the Great Ascent Valuation and the Yiersan Valuation, we have not found any material facts which may lead us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for or the information used in the valuations.

In addition, we have discussed with the Valuer regarding its qualifications, expertise and independence and also obtained relevant information regarding the Valuer such as its track record in providing valuation services for other companies listed on the Stock Exchange. We have also reviewed the Valuer's terms of engagement (including its scope of work) in carrying out the valuations. Based on our discussion with the Valuer and our review of the information provided, we considered that the Valuer possesses the relevant experience and qualifications, is independent of the Company and the scope of work is appropriate for the purpose of the Great Ascent Valuation and the Yiersan Valuation.

Based on the foregoing and in particular that (i) we are satisfied with the terms of engagement of the Valuer as well as its independence, qualification and experience for preparation of the Great Ascent Valuation and the Yiersan Valuation; and (ii) we have reviewed the Great Ascent Valuation and the Yiersan Valuation (including the fairness and reasonableness of the bases and assumptions and the mathematical accuracy of the calculations) and the relevant information provided by the Valuer and discussed with the Valuer to understand the methodologies adopted for and the bases and assumptions used in arriving at the Great Ascent Valuation and the Yiersan Valuation, we are of the view the Great Ascent Valuation and the Yiersan Valuation are fair and reasonable.

As stated above, the considerations for the Great Ascent Acquisition and the Yiersan Acquisition were made with reference to the valuation of Great Ascent Valuation and the Yiersan Valuation, which we considered to be fair and reasonable. In view of the above, we considered that the considerations for the Great Ascent Acquisition and the Yiersan Acquisition are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Analysis on the other terms of the Great Ascent Agreement and the Yiersan Agreement

In assessing the other terms (i.e., payment terms, conditions precedent, termination completion, etc) of the Great Ascent Agreement and the Yiersan Agreement, we have reviewed the Great Ascent Agreement and the Yiersan Agreement as well as comparing the terms of the Great Ascent Agreement and the Yiersan Agreement with the terms of other acquisition agreements for the acquisition of project companies in the PRC (i.e., real estate projects) by listed companies on the Stock Exchange as published by them on the Stock Exchange in the six-month period prior to 22 January 2018, being the date of the Great Ascent Agreement and the Yiersan Agreement, and up to the Latest Practicable Date. Based on our review, we have identified a number of transactions by listed companies on the Stock Exchange such as the acquisition by China Goldjoy Group Limited (stock code: 1282) as disclosed in the announcement dated 4 August 2017, C&D International Investment Group Limited (stock code: 1908) as disclosed in the announcement dated 31 October 2017, and Fullsun International Holdings Group Co., Limited (stock code: 627) as disclosed in the announcement dated 25 July 2018, the terms of which, are in general similar to the terms of the Great Ascent Agreement and the Yiersan Agreement. Further, based on our review of the Great Ascent Agreement and the Yiersan Agreement, we are also not aware of any terms that are unusual or less favourable to the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the above, we are of the view that the terms of the Great Ascent Agreement and the Yiersan Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors discussed above and in particular the following:

- (i) travel-related services and travel-related property development and investment are two of the main key businesses of the Group;
- (ii) the Acquisitions represent investment opportunities for the Group to expand its travel business and also to enter in the real estate sector and thereby broaden the business scope and increase the profitability of the Group;
- (iii) the positive trend of the tourism market and the property market in the PRC as well as the Jiangsu Province; and
- (iv) the terms for the Great Ascent Acquisition and the Yiersan Acquisition were determined after arm's length negotiations and the considerations thereunder are made with reference to the valuations prepared by the Valuer,

we consider that the terms of the Great Ascent Agreement and the Yiersan Agreement and the transactions contemplated thereunder respectively are on normal commercial terms and the Acquisitions are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the resolution in respect of the Great Ascent Agreement and the Yiersan Agreement at the EGM. We also recommend the Independent Shareholders to vote in favour of the relevant resolutions in respect of the Great Ascent Agreement and the Yiersan Agreement at the EGM.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles Li[^]
Director

[^] *Mr. Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and he has over 25 years of corporate finance experience. He has been licensed to carry out Type 6 regulated activity since the SFO became effective in 2003.*

LETTER OF OPINION

Ref: FC201801010

10 October 2018

The Board of Directors
Orient Victory Travel Group Company Limited
Room 2603, Harbour Centre
25 Harbour Road,
Wan Chai, Hong Kong

Dear Sirs/Madams,

Valuation of Target Companies

On 22 January 2018, Orient Victory Travel Group Company Limited (the “Company”) entered into acquisition agreements to acquire 40% collective equity interest in a recreational project (“Hongshan Sports Park”) located in Yangzhou City, China (the “Transactions”). We understand that the Project was being operated by two companies, namely Jiangsu Yiersan Real Estate Development Company Limited (“Yiersan”) and Great Ascent Limited (“Great Ascent”) (collectively referred to as the “Target Companies”) respectively. In accordance with the instructions from the Company, we are required to value 100% equity interest in the Target Companies (the “Equities”) as at 31 December 2017 (the “Valuation Date”).

Our analysis and result, which are to be used only in their entirety, are for the use of the management of the Company for internal reference and form part of the Company’s circular dated 10 October 2018. They are not to be used for any other purposes or by any other parties, without our express written consent. None should rely on our analysis and results as a substitute for their own judgement or due diligence. The following report summarizes the results and findings based on our analysis.

This valuation engagement is conducted in accordance with the International Valuation Standards. The estimate of value that results from this valuation engagement is expressed as a conclusion of value.

Based on our analysis as described in this report, the Market Values of the Equities as at the Valuation Date were:

Target Companies	Market Value
Jiangsu Yiersan Real Estate Development Company Limited	RMB82,000,000
Great Ascent Limited	RMB52,000,000

These results are subject to the assumptions, the Limiting Conditions and the Statement of General Services Conditions described in this report. We have no obligation to update this report or our result for information that comes to our attention after the date of this report.

Yours faithfully,
For and on behalf of
Flagship Appraisals and Consulting Limited
Ferry S.F. Choy
CFA, ICVS
Managing Director

CONTENT

1. EXECUTIVE SUMMARY	I-4
2. INTRODUCTION	I-5
3. SCOPE OF SERVICES	I-5
4. BASIS OF VALUE	I-5
5. PREMISE OF VALUE	I-5
6. LEVEL OF VALUE	I-6
7. SOURCES OF INFORMATION	I-6
8. TRANSACTION BACKGROUND	I-7
9. PROJECT OVERVIEW	I-7
10. VALUATION METHODOLOGY	I-8
11. GENERAL ASSUMPTIONS	I-9
12. ADJUSTED NET ASSET VALUE FOR YIESAN	I-10
13. ADJUSTED NET ASSET VALUE FOR GREAT ASCENT	I-12
14. INCOME APPROACH FOR JSRH	I-13
15. RISK FACTORS	I-16
16. LIMITING CONDITIONS	I-16
17. CONCLUSION	I-17
EXHIBIT A – STATEMENT OF GENERAL SERVICES CONDITIONS	I-18
EXHIBIT B – INVOLVED STAFF BIOGRAPHIES	I-18
EXHIBIT C – DERIVATION OF DISCOUNT RATE	I-19
EXHIBIT D – INDUSTRY OVERVIEW	I-27

1. EXECUTIVE SUMMARY

Governing Standard:	International Valuation Standards
Purpose:	Internal reference
Standard of Value:	Market Value
Premise of Value:	Value as a going concern
Level of Value:	Controlling, non-marketable interest
Client Name:	Orient Victory Travel Group Company Limited
Target Name:	100% equity interest in the Target Companies
Type of Entity:	Private entities
Reference Date:	31 December 2017
Report Date:	10 October 2018
Methodology:	(i) Cost Approach – Adjusted Net Asset Value Method (ii) Income Approach – Discounted Cash Flow Method
Valuation Results:	Yiersan: RMB82,000,000 Great Ascent: RMB52,000,000

2. INTRODUCTION

For this particular engagement, we evaluate the Market Values of the equity interest in the Target Companies, which included Yiersan and Great Ascent. Yiersan is involved in property development of land parcels in Yangzhou City, China, while Great Ascent, through its wholly owned subsidiary, Jiangsu Hongshan Sports Fitness Holiday Village Company Limited (“JSRH”), is involved in the management and daily operation of a resort area located in Yangzhou City, China.

It is our understanding that our analysis and results, which are to be used only in their entirety, will be used by the management of the Company for internal reference and form part of the Company’s circular dated 10 October 2018. Our analysis is conducted for the above purpose and this report should be used for no other purpose without our express written consent. None should rely on our analysis and conclusion as a substitute for their own judgement or due diligence.

The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective.

Our work is performed subject to the assumptions, the Limiting Conditions and the Statement of General Services Conditions described in this report.

3. SCOPE OF SERVICES

Evaluate the Equities as at the Valuation Date.

4. BASIS OF VALUE

The basis of value for this particular engagement is *Market Value*. According to the International Valuation Standards, Market Value is defined as “*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*”

5. PREMISE OF VALUE

Premise of value means an assumption regarding the most likely set of transactional circumstances that may be applicable to a valuation. In general, there are two types of premises: (1) going concern and (2) liquidation.

- (1) Going concern: a business is expected to continue operation without intention or threat of liquidation; and
- (2) Liquidation: a business is clearly going to cease operation in the near future. It can be further classified into orderly liquidation or forced liquidation.

For this particular case, the premise of value is going concern. Going concern value is defined as *“the value of a business enterprise that is expected to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained workforce, an operational plant, and the necessary licenses, systems, and procedures in place”*.

6. LEVEL OF VALUE

The control characteristics and marketability characteristics significantly affect the value of an equity interest. The combination of these characteristics commonly refers to the level of value. There are four basic levels of value: (1) controlling, marketable interest value, (2) controlling, non-marketable interest value, (3) non-controlling, marketable interest value, and (4) non-controlling, non-marketable interest value.

For this particular case, the level of value is controlling, non-marketable interest value.

7. SOURCES OF INFORMATION

Sources of data utilized in our analysis include but are not limited to the following:

- Target Companies’ and shareholders’ information;
- Financial due diligence report (the “DD Report”) of the Target Companies;
- Land registry certificates of the Yiersan;
- Yiersan’s financial statements from 2014 to 2017;
- Management account of Great Ascent for the year ended 31 December 2017;
- JSRH’s financial statements from 2016 to 2017;
- Financial forecast of Hongshan Sports Park (the “Forecast”) for the period from 2018 to 2022;
- Introductory flyer of activities in Hongshan Sports Park; and
- Legal due diligence report of the Target Companies.

We rely upon publicly available information from sources on capital markets, including industry reports, various databases of publicly traded companies and news.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information to perform our assessment.

8. TRANSACTION BACKGROUND

On 22 January 2018, the Company, Orient Victory Group HK Holdings Limited (“OV(HK)”) and Heng Sheng Xin Ye (Beijing) Asset Management Company Limited (“Heng Sheng”) (collectively referred to as the “Great Ascent Purchasers”) entered into a sales and purchase agreement with Mr. Li Jun Bang to acquire 90% equity interest in Great Ascent. JSRH is a wholly owned subsidiary of Great Ascent.

On the same date, the Company, Orient Victory Property Development Group Co., Ltd. (“OVPD”), and Heng Sheng (collectively referred to as the “Yiersan Purchasers”) entered into another sales and purchase agreement with Mr. Nie Jiangqiang, and Jiangsu Yinmao Holding (Group) Company Limited to acquire 100% equity interest in Yiersan.

9. PROJECT OVERVIEW

Hongshan Sports Park is an operating theme park focusing on sports activities. It is located in ecological park in the country side of Yizheng City, Jiangsu Province. It takes 30 minutes to drive from Nanjing City or 45 minutes to drive from Yangzhou City. It is connected to Ningtong Highway and the Fourth Nanjing Yangtze Bridge. Hongshan Sports Park covers an area of 4,200 mu and offers various kinds of leisure facilities like accommodations, foods & beverages and recreational activities to tourists. Hongshan Sports Park comprises different leisure facilities including a hotel, villas, a stable, a kart racetrack, paragliding, battery boat, and other facilities. The revenue streams of Hongshan Sports Park include ticket sales, hotel rental, and foods and beverages income. According to the management of Hongshan Sports Park (the “Management”), Hongshan Sports Park has obtained several certifications from various organizations including national pilot base of sport industry, one of the China’s best sports travel destination, AAA national tourist attraction, etc. Hongshan Sports Park is jointly operated by Yiersan and JSRH. The lands held are for hotel, and residential uses.

Yiersan

Yiersan was incorporated on 25 April 2001, with a paid-up capital of RMB50,000,000. According to the Management, Yiersan is engaged in the sales and development of properties around the land parcels it holds in the Jiangsu Province. The major asset of Yiersan as at the Valuation Date was a piece of 48.66 mu residential land located in Hongshan Sports Park.

JSRH

JSRH was incorporated on 13 September 2007, with a registered capital of RMB37,500,000. According to the Management, JSRH is responsible for the management of the leisure facilities and the operation of hotel and villas.

10. VALUATION METHODOLOGY

There are three common approaches used to estimate the value of an asset, namely the cost approach, market approach and income approach.

Cost Approach: this is a general way of determining a value indication of a business ownership interest by using one or more methods based on the value of net asset. Value is established based on the principle of substitution. It means the value of a business ownership interest depends on the cost of reproducing or replacing the net asset after considering depreciation from physical deterioration as well as functional and economic obsolescence, if present and measurable.

Market Approach: this is a general way of determining a value indication of a business ownership interest by using one or more methods that compare the subject to similar business ownership interests that have been sold. Value is established based on the principle of competition. It means if a business is similar to another business and can replace for the other, then they should be equal in value.

Income Approach: this is a general way of determining a fair value indication of a business ownership interest by using one or more methods that convert anticipated benefits into a present value amount. Value is established based on the principle of anticipation. It means the value of a business ownership interest is the sum of the present value of future economic benefit streams.

10.1. Selection of Methodologies

Based on our analysis, we considered that different valuation methodologies should be adopted in this valuation. Adjusted net asset value method under the cost approach is applied for the valuation of Yiersan and Great Ascent, while discounted cash flow method under the income approach is adopted to estimate the value of JSRH. The bases for the selection of methodologies are set out below:

Yiersan

The major asset of Yiersan is the residential land held. According to the Management, Yiersan has not generated any revenue since its establishment. Yiersan thus does not have any material intangible asset. Therefore, the value of Yiersan resides in the land and other assets recorded on the company's accounts.

Great Ascent

Great Ascent is an investment holding company. The major asset of Great Ascent is the equity of JSRH. Therefore, the value of Great Ascent resides in the equity of JSRH.

JSRH

Discounted cash flow method under the income approach has been adopted for the valuation of JSRH because of the following reasons:

- JSRH has been operating the leisure facilities in the Project since 2009;
- the Management had provided a financial forecast in relation to the future development of the Project; and
- JSRH has recorded stable revenue from the operation of the leisure facilities, catering, and accommodation services.

The value of JSRH thus resides in its operation rather than its tangible assets recorded on the company's accounts.

11. GENERAL ASSUMPTIONS

A number of general assumptions have to be established in order to sufficiently support our result. The general assumptions adopted in this valuation are:

- There will be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in China, and the regions where the Target Companies are carrying on their businesses;
- There will be no significant deviation in the industry trend and market condition from the current market expectation;
- There will be no major change in the current taxation law and policies against the real estate and leisure industries in China;
- All relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, remain in good standing, and can be procured with no additional costs or fees;
- The Target Companies will retain competent management, key personnel and technical staff to support their on-going business operations;
- The provided financial projection will be realized; and
- The Target Companies do not have any contingent liabilities.

12. ADJUSTED NET ASSET VALUE FOR YIERSAN

The procedures for assessing the adjusted net asset value for Yiersan are as follows:

- (1) Obtain the balance sheet of Yiersan as at the Valuation Date;
- (2) Study the natures of the items on the balance sheet and identify the items subject to value adjustments;
- (3) Perform valuations on items subject to adjustments; and
- (4) Calculate the net asset value according to the adjustments.

The major assets of Yiersan included the amount due from a shareholder, the amount due from related companies, and a land lot. Based on the natures described in the DD Report, the assets subject to adjustments are described below.

The table below summarizes the calculation of the adjusted net asset value of Yiersan.

Net asset value of Yiersan

RMB'000	Book value	Adjustment	Fair value
Current assets			
Cash and cash equivalents	35	–	35
Deposits and prepayments	27	–	27
Other receivables	401	(400)	1
Amount due from a shareholder	4,500	927	5,427
Amount due from related companies	8,077	(6,082)	1,995
Inventories	34,513	45,777	80,290
Total current assets	<u>47,553</u>	<u>40,222</u>	<u>87,775</u>
Non-current assets			
Fixed assets	25	–	25
Long-term investments	2,000	(2,000)	–
Long-term deferred expenses	5,785	(5,785)	–
Total non-current assets	<u>7,810</u>	<u>(7,785)</u>	<u>25</u>
Current liabilities			
Salary payable	–	38	38
Other payable	5,363	–	5,363
Total current liabilities	<u>5,363</u>	<u>38</u>	<u>5,401</u>
Net asset value	50,000		82,399
Net asset value (rounded)	<u>50,000</u>		<u>82,000</u>

Source: DD Report, Avista Group, Flagship Analysis

Other receivables

According to the DD Report, RMB400,000 of other receivable cannot be recovered because the debtor had been liquidated as at the Valuation Date.

Amount due from a shareholder

According to the DD Report, we have added RMB927,418 to the amount due to a shareholder as it is because Yiersan paid on behalf of a shareholder for a private investment.

Amount due from related companies

According to the DD Report, the amount owed by JSRH to Yiersan was RMB6.1 million. As advised by the Company, amount due from related companies will be waived.

Inventories

The Company has engaged an independent property valuer, Avista Group (the “Property Valuer”), to perform valuation for the land lot. According to the Property Valuer, Yiersan held 6 adjacent land lots in the Project, the information about the land lot is set out in the table below.

Land lots information

Address	Zhang Shan Village, Zhao Lin Bay, Jiangsu Province
Land use	Residential
Site area (m ²)	32,437
Land use right expiration	3-Apr-81

Source: Avista Group

According to the DD Report, the land acquisition cost and development cost had been recorded under inventories of Yiersan’s account. Therefore, the inventories of Yiersan was adjusted according to the market value of RMB80,290,000 concluded by the Property Valuer.

Long-term investments

Long-term investments represented the equity interest in a company named Yizheng Lin Zhi Jian Agricultural Development Company Limited¹ (“LZJ”). According to the DD Report, LZJ’s business was to provide plantation, of flowers, trees, vegetables, sales of aquarium produces, and agricultural technology development.

¹English for identification purpose only. Chinese official name is 儀征林之間農業發展有限公司

The major assets of LZJ are the other receivable from JSRH and minor ancillary constructions for the facilities in Hongshan Sports Park. On a standalone basis, these constructions do not generate any economic benefits to the owner. Therefore, the values of these constructions should be nil.

Long-term deferred expenses

Long-term deferred expenses consisted of staff cost, depreciation, land tax incurred and etc. According to the DD Report, these items should have been expensed instead of being capitalized.

Salary payable

As advised by the DD Report, a salary payable amounting to RMB38,872 has been added.

13. ADJUSTED NET ASSET VALUE FOR GREAT ASCENT

The long-term investments which represent the equity holding in JSRH is the only major asset of Great Ascent. Based on the valuation of JSRH (discussed in the following sections), an adjustment of RMB8.5 million has been made to the long-term investments. Great Ascent also had other payable with the amount of RMB60,610,943 according the provided management account. Per discussion with the Management, the other payable was in relation to the shareholders' loan in relation to JSRH. We are instructed not to take into account of this other payable in the valuation of the equity of Great Ascent.

Net asset value of Great Ascent

RMB'000	Book value	Adjustment	Fair value
Current Asset			
Cash and cash equivalents	60	—	60
Total current assets	60	—	60
Non-current assets			
Long-term investments	60,521	(8,521)	52,000
Total non-current assets	60,521	(8,521)	52,000
Current liabilities			
Other payable	60,611	(60,611)	—
Total current liabilities	60,611	(60,611)	—
Net asset value	(30)		52,060
Net asset value	(30)		52,000

Source: Management Account, Flagship Analysis

14. INCOME APPROACH FOR JSRH**14.1. Summary of business plan of JSRH**

According to the provided information, JSRH operated more than 30 facilities, some of which are set out below:

- villas;
- a hotel;
- an equestrian club;
- grass skiing;
- a war game field;
- a dragon boat pier;
- a football court;
- shooting club;
- barbeque area; and
- a camping site.

According to the Management, the revenue of JSRH would be boosted by:

- Provincial Horticultural Exhibition in September 2018 (“PHE”) – in February 2017, the provincial government of Jiangsu Province approved that Yangzhou City would be the hosting city for PHE. The location of PHE will be the ecological park in Zhao Lin Bay which is in the close proximity of the Project;
- International Horticultural Exhibition in 2021 (“IHE”) – IHE is an exhibition approved by International Association of Horticultural Producers. To be qualified as an IHE, there are several criteria including scale of the exhibition, and the participations of at least representatives from ten different countries; and
- Additional investment in facilities and new activities starting in 2018 – in response to PHE and IHE, the Management expected that a capital expenditure of RMB13 million would be invested to improve the facilities of the Project.

14.2. Financial forecast

The Management has provided a five-year financial forecast for the operation of leisure facilities managed by JSRH. In the Forecast, JSRH is expected to record net profit starting from 2019 with the growth in revenue. The table below sets out the forecast revenue during the forecast period from 2018 to 2022.

Revenue forecast

RMB'000	2016a	2017a	2018e	2019e	2020e	2021e	2022e
Revenue	10,384	11,541	17,830	27,356	28,627	40,049	38,422
Annual change	<u>N/A</u>	<u>11%</u>	<u>54%</u>	<u>53%</u>	<u>5%</u>	<u>40%</u>	<u>-4%</u>

Source: the Management

The Management expected that the revenue of Hongshan Sports Park would continue to grow until 2021 after the IHE. New facilities would be added starting from 2018 before the two exhibitions to capture the increased pax flow. The Management advised that the capacity of Hongshan Sports Park would be adequate to handle the increased number of visitors. Due to the promotion of the exhibitions, the number of visitors is expected to go to a new high in 2021, and after the exhibitions, the revenue is expected to drop slightly. To account for the cash flow after 2022, an extrapolation period from 2023 to 2037 has been added. During the extrapolation period, the revenue is assumed to grow at 3% to 6% per year.

As the revenue increases, the margins of the operation will improve remarkably at the same time because the operating costs are mostly fixed costs such as depreciation and staff costs. The table below summarizes the margins of JSRH during the forecast period.

Margin analysis

	2016a	2017a	2018e	2019e	2020e	2021e	2022e
EBITDA margin	-66%	-16%	9%	38%	40%	46%	37%
EBIT margin	-85%	-30%	-25%	16%	18%	29%	20%
Net margin	<u>-109%</u>	<u>-54%</u>	<u>-25%</u>	<u>16%</u>	<u>18%</u>	<u>29%</u>	<u>20%</u>

Source: the Management

14.3. Adjustment on short-term bank loan

According to the DD Report, JSRH was granted a loan facility amounting to RMB50 million (the "Bank Loan") as at the Valuation Date. As at the Valuation Date, the drawdown amount of the Bank Loan was RMB46 million. As advised by the Company, the Bank Loan would be borne by OV(HK) and Heng Sheng. Therefore, the Bank Loan was excluded from this valuation analysis.

14.4. Adjustment on amount due to/from related parties

According to the DD Report, there were RMB28.62 million amount due from related parties and RMB64.44 million amount due to related parties. As advised by the Company, these balances would be adjusted before the completion of the Transactions. Therefore, these balances were excluded from this valuation analysis.

14.5. Determination of the discount rate for JSRH

As income approach was adopted for the valuation of equity interest in JSRH, we have to determine an appropriate discount rate. We firstly developed the cost of equity and the cost of debt of leisure business based on data and factors relevant to the economy and the industry as at the Valuation Date. These costs were then weighted in terms of the average of the comparable companies to arrive at the weighted average cost of capital (“WACC”). For details of the calculation, please refer to Exhibit C.

The formula for calculating the WACC is:

$$\text{WACC} = \frac{D}{V} \times (1-T_c) \times r_{\text{debt}} + \frac{E}{V} \times r_{\text{equity}}$$

D: Debt

T_c : Corporate Tax Rate

E: Equity

r_{debt} : Cost of Debt

V: Debt and Equity

r_{equity} : Cost of Equity

Development of Cost of Equity

We have adopted the Modified Capital Asset Pricing Model (“MCAPM”) to calculate the cost of equity.

The formula for calculating the cost of equity based on MCAPM is:

$$r_{\text{equity}} = r_{\text{risk free}} + \text{beta} \times \text{ERP} + r_{\text{size}} + r_{\text{specific}}$$

r_{equity} = Cost of Equity

beta = Sensitivity of a stock’s return
to the return on the market
portfolio

$r_{\text{risk free}}$ = Risk Free Rate

r_{size} = Size Premium

r_{specific} = Specific Company Adjustment

ERP = Equity Risk Premium

According to the above formula, the estimated cost of equity is 19.15%.

Development of Cost of Debt

In this particular case, we have assumed 4.9% as the cost of debt, which is the long term borrowing rate benchmark in China.

Development of Weighted Average Cost of Capital

WACC is determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise's capital structure. For this particular exercise, we have made reference to the average capital structure of the comparable companies. Subsequent to the calculations of the cost of equity, the cost of debt and application of the average capital structure of the selected comparable companies, we have come up with a WACC of 18%.

15. RISK FACTORS**Projection Risk**

Our valuation of JSRH is based on the financial projection prepared by the Management. If the actual operation result deviated from the Forecast, the values of the Equities of JSRH would be affected.

Operational Risk

Our valuation is developed based on the assumption that the Target Companies have obtained all the relevant legal approvals and business licenses and can retrain competent management, key personnel and technical staff to support their on-going business operation.

If any of these assumptions have be violated, the values of the Equities might be significantly affected.

Market Risk

Our valuation is developed based on the assumption that there will be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in China and in the region where the Target Companies are carrying on their businesses.

If any of these factors changes, the values of the Equities would be affected.

16. LIMITING CONDITIONS

We have made no investigation of and assumed no responsibility for the title to or any liabilities against the Company and the Target Companies.

The opinion expressed in this report has been based on the information supplied to us by the Company, the Target Companies and their staff, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation

are provided by the Management. Readers of this report may perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key data supplied to us with their expected values, the accuracy of the results and conclusions from the review rely on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any error or omission in the supplied information and do not accept any consequential liability arising from commercial decisions or actions resulting from them.

This result reflects facts and conditions as they exist at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

17. CONCLUSION

Based on our analysis as described in this report, the Market Values of the Equities as at the Valuation Date were:

Target Companies	Market Value
Jiangsu Yiersan Real Estate Development Company Limited	RMB82,000,000
Great Ascent Limited	RMB52,000,000

The opinion of value is based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor biases with respect to the parties involved.

Yours faithfully,
For and on behalf of
Flagship Appraisals and Consulting Limited
Ferry S.F. Choy
CFA, ICVS
Managing Director

EXHIBIT A – STATEMENT OF GENERAL SERVICES CONDITIONS

The service(s) provided by Flagship Appraisals and Consulting Limited will be performed in accordance with the professional valuation standard. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least seven years after completion of the engagement.

Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. None should rely on our report as a substitute for their own due diligence or judgment. No reference to our name or our report, in whole or in part, may be made in any document you prepare and/or distribute to third parties without our written consent.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of Flagship Appraisals and Consulting Limited, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of advanced legal theory, such liability will be limited to the amount of fees we received for this engagement.

We reserve the right to include your company name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process and proceedings. These conditions can only be modified by written documents executed by both parties.

EXHIBIT B – INVOLVED STAFF BIOGRAPHIES

Ferry S.F. Choy, CFA, ICVS
Managing Director

Mr. Choy graduated from the Chinese University of Hong Kong. Before he took up his present position in 2015, Mr. Choy had worked in the accounting and valuation profession for more than 10 years. He took up the position as the Director of Greater China Appraisals, with the expertise in providing valuation and business advices, project evaluation, public listings and merger and acquisition.

Mr. Choy is an International Certified Valuation Specialist (ICVS), a professional credential in business valuation issued by the International Association of Certified Valuation Specialists (IACVS). He served for 1 year as the Continuous Education Committee of the IACVS Hong Kong Chapter and provided business valuation training courses to its members. Mr. Choy is also a Chartered Financial Analyst (CFA).

Anson W.K. Lau, CFA, FRM

Director

Mr. Lau has over seven years of experience in the business consulting industry, with a focus on business valuation services. He currently holds the position of Director of Flagship Appraisals and Consulting Limited and is responsible for leading the valuation team to deliver business and intangible asset valuation services for transaction and financial reporting purposes. He was involved in engagements in relation to various industries including financial services, aviation, information technology, construction, mining and manufacturing.

EXHIBIT C – DERIVATION OF DISCOUNT RATE

Development of Cost of Equity

We have adopted the Modified Capital Asset Pricing Model (“MCAPM”) to calculate the cost of equity.

The formula for calculating the cost of equity based on MCAPM is:

$$r_{\text{equity}} = r_{\text{risk free}} + \text{beta} \times \text{ERP} + r_{\text{size}} + r_{\text{specific}}$$

r_{equity} = Cost of Equity

beta = A measure of systemic risk of a stock

$r_{\text{risk free}}$ = Risk Free Rate

ERP = Equity Risk Premium

r_{size} = Size Premium

r_{specific} = Specific Company Adjustment

Risk Free Rate (“ $r_{\text{risk free}}$ ”)

Risk free rate refers to the rate of return available in the market on an investment free of default risk. For this particular case, as the business operation is in China, we have selected the long term bond yield of Chinese Government Bond as at the Valuation Date as the risk free rate.

Beta

In the MCAPM formula, beta is a measure of the systematic risk of a stock relative to the market portfolio which includes all types of risky investment. We obtained betas from ten comparable companies. The identified betas were unlevered to remove the effects of financial leverage on the indication of relative risk provided by the beta. For this particular exercise, we have referred to the average of the capital structure of the comparable companies. We have relied on the Bloomberg database to develop our result.

The relationship between unlevered beta and levered beta as follows:

$$\text{beta}_{\text{levered}} = \text{beta}_{\text{unlevered}} \times [1 + (1 - T_c) \times \frac{D}{E}]$$

D = Debt

$\text{beta}_{\text{levered}}$ = Levered Beta

E = Equity

$\text{beta}_{\text{unlevered}}$ = Unlevered Beta

T_c = Corporate Tax Rate

Selection of Comparable Companies

Hongshan Sports Park's business can be divided into four aspects, namely, hotel, facilities, catering, and exhibitions. In selecting the appropriate comparable companies, the businesses of the identified comparable companies were compared with Hongshan Sports Park. For a detailed information about the comparable companies' businesses, please refer to Exhibit E.

In selecting the comparable companies, we start with a description of the company, in terms of lines of business, market location of business and other criteria:

- operations situated in China or Asia; and
- being involved in the business of management and operation of leisure facilities, theme parks, or tourist destinations.

We have carried out the following procedures to identify the comparable companies:

- performing key word search on Bloomberg terminal to identify the potential applicable comparable companies based on the above selection criteria;
- reviewing business descriptions and financial information of the short-listed companies on Bloomberg terminal and companies' websites;
- identifying additional comparable companies based on research on websites which provide listed company information such as aastock.com, finance.sina.com.cn, and google.

Based on the above procedures, we believe that the following list of comparable companies is comprehensive and exhaustive:

Table C1: List of Comparable Companies

	Company name	Ticker	Business Description
1	Songcheng Performance Development Co Ltd	300144 CH	The company invests, develops and operates theme parks and tourism cultural performing arts. The company's major projects include the Sungcheng theme park and the cultural performing arts musical "The Romance of the Song Dynasty".

	Company name	Ticker	Business Description
2	Emei Shan Tourism Co	000888 CH	The company provides travel products and services in the Emei Shan area. The company sells park tickets, operates cable cars, offers scenic tours, manages hotels, and provides travel agency services.
3	Wuhan Sante Cableways Group Co Ltd	002159 CH	The company develops and operates passenger cable cars. The company's primary business involves tourism passenger cable cars development and operations as well as scenic real estate development.
4	Landing International Development Ltd	582 HK	The company operates as an investment holding company. The company, through its subsidiaries, develops and operates integrated resorts, gaming clubs, entertainment facilities, and properties. The company mainly operates business in Korea.
5	Zhuhai Holdings Investment Group Ltd	908 HK	The company, through its subsidiaries, manages a holiday resort, a theme park and an amusement park. The company also provides port facilities and ticketing services.
6	Xi'an Qujiang Cultural Tourism Co Ltd	600706 CH	The company provides services along the traveling business value chain. It is involved in the management and operation of tourist destinations attractions, and hotel. It also provides catering, travel agency services, and cultural traveling products in China. The tourist attractions under the company's management include several 4A destinations, theme parks, and historical parks located in Xian province.
7	Yunnan Tourism Co Ltd	002059 CH	The company operates the World Horticultural Exposition Garden, sells commercial buildings, and is involved in property cleaning and management, as well as planting projects.
8	Haichang Ocean Park Holdings Ltd	2255 HK	The company develops and operates theme parks and other ancillary commercial properties. The company manages museums, aquariums, theme parks, water theme parks, and other related properties. The company manages its parks throughout the PRC.
9	Dalian Sunasia Tourism Holding Co Ltd	600593 CH	The company owns and operates the Dalian Shengya Ocean World, a submarine tunnel style aquarium, located in Dalian, Liaoning. The company also provides related food services and operates souvenir stores.
10	Straco Corp Ltd	STCO SP	The company develops and operates aquatic related facilities and tourism related activities. The group also operates cable car facilities and provides management and consulting services.

Source: Bloomberg, companies' websites, and internet

Table C2: Reasons for selection of Comparable Companies

Company name	Reasons for Selection
1 Songcheng Performance Development Co Ltd	The company is comparable to Hongshan Sports Park in terms of business nature and business model. The company generates revenue from selling entry tickets, providing leisure activities and other supporting services to tourists. Similar to Hongshan Sports Park, other than the specific operational risks which will be eliminated after averaging, the company's business is subject to general operational and industry risks in Chinese tourism. Therefore, we considered it as a comparable company for estimating the required return of similar projects.
2 Emei Shan Tourism Co	The company is comparable to Hongshan Sports Park in terms of business nature and business model. The company operates theme parks and hotels including Emei theme park and Leshan Giant Buddha in the proximity of Mount Emei. The company generates revenues through selling entry tickets, providing leisure activities, accommodation and other supporting services to tourists. Similar to Hongshan Sports Park, other than the specific operational risks which will be eliminated after averaging, the company's business is subject to general operational and industry risks in Chinese tourism. Therefore, we considered it as a comparable company for estimating the required return of similar projects.
3 Wuhan Sante Cableways Group Co Ltd	Operating more than 20 themed tourist attractions, the company is comparable to Hongshan Sports Park in terms of business nature and business model. The company has developed various tourist attractions in China. The company uses cable car as a unique attraction to tourists. Comparatively, Hongshan Sports Park uses different sports activities and unique scenery in the region to attract tourists. The company generates revenue through selling entry tickets, cable car tickets and providing supporting services. We considered the company, other than those specific operational risks which will be eliminated after averaging, shares similar industry risks in Chinese tourism as Hongshan Sports Park and regarding it as a comparable company for estimating the required return of similar projects.
4 Landing International Development Ltd	The company is comparable to Hongshan Sports Park in terms of business nature and business model. The company operates theme parks in its properties which offer similar leisure experience to visitors as Hongshan Sports Park. The company generates revenues through selling entry tickets, providing leisure activities, accommodation and other supporting services to tourists. Although the company's business is in Korea, the business nature is very similar to Hongsha Sports Park. We considered the company, other than those specific operational risks which will be eliminated after averaging, shares similar operational risks as Hongshan Sports Park and regarding it as a comparable company for estimating the required return of similar projects in the region.

Company name	Reasons for Selection
5 Zhuhai Holdings Investment Group Ltd	The company is comparable to Hongshan Sports Park in terms of business nature and business model. The company generates revenues through selling entry tickets and providing leisure activities and other supporting services to tourists. Similar to Hongshan Sports Park, other than the specific operational risks which will be eliminated after averaging, the company's business is subject to general operational and industry risks in Chinese tourism. Therefore, we considered it as a comparable company for estimating the required return of similar projects.
6 Xi'an Qujiang Cultural Tourism Co Ltd	The company is comparable to Hongshan Sports Park in terms of business nature and business model. The company currently operates several 4A tourism destinations. The company generates revenues through selling entry tickets, providing leisure activities and other supporting services to tourists. Similar to Hongshan Sports Park, other than the specific operational risks which will be eliminated after averaging, the company's business is subject to general operational and industry risks in Chinese tourism. Therefore, we considered it as a comparable company for estimating the required return of similar projects.
7 Yunnan Tourism Co Ltd	The company operates World Horticultural Exposition Garden in Kunming, Yunnan Province. Hongshan Sports Park locates in the ecological park in the country side of Yizheng City. One of the major attractions of Hongshan Sports Park is its unique scenery in the region, e.g. cherry blossom garden, red soils landscape, etc. The company generates revenues mainly through selling entry tickets, providing leisure activities and other supporting services to tourists. Similar to Hongshan Sports Park, other than the specific operational risks which will be eliminated after averaging, the company's business is subject to general operational and industry risks in Chinese tourism. Therefore, we considered it as a comparable company for estimating the required return of similar projects.
8 Haichang Ocean Park Holdings Ltd	The company is comparable to Hongshan Sports Park in terms of business nature and business model. The company uses aquariums as a unique attraction to tourists. Comparatively, Hongshan Sports Park uses different sports activities and unique scenery in the region to attract tourists. The company generates revenue through selling entry tickets and providing supporting services. We considered the company, other than those specific operational risks which will be eliminated after averaging, shares similar industry risks in Chinese tourism as Hongshan Sports Park and regarding it as a comparable company for estimating the required return of similar projects.

Company name	Reasons for Selection
9 Dalian Sunasia Tourism Holding Co Ltd	The company is comparable to Hongshan Sports Park in terms of business nature and business model. The company uses aquariums as unique attractions to tourists. Comparatively, Hongshan Sports Park uses different sports activities and unique scenery in the region to attract tourists. The company generates revenue through selling entry tickets and providing supporting services. We considered the company, other than those specific operational risks which will be eliminated after averaging, shares similar industry risks in Chinese tourism as Hongshan Sports Park and regarding it as a comparable company for estimating the required return of similar projects.
10 Straco Corp Ltd	The company operates two aquariums in Xiamen and Shanghai. The company uses aquariums and cable cars as unique attractions to tourists. Comparatively, Hongshan Sports Park uses different sports activities and unique scenery in the region to attract tourists. The company generates revenue through selling entry tickets, cable car tickets and providing supporting services. We considered the company, other than those specific operational risks which will be eliminated after averaging, shares similar industry risks in Chinese tourism as Hongshan Sports Park and regarding it as a comparable company for estimating the required return of similar projects.

Source: Bloomberg, companies' websites and internet

Table C3: Unlevered Beta

Comparable Companies	Levered Beta	Eff. Tax Rate	D/E Ratio	Unlevered Beta
Songcheng Performance Development Co Ltd	0.936	21.3%	0.0%	0.936
Emei Shan Tourism Co	0.954	16.1%	0.0%	0.954
Wuhan Sante Cableways Group Co Ltd	1.158	34.6%	0.0%	1.158
Landing International Development Ltd	1.083	16.5%	6.1%	1.030
Zhuhai Holdings Investment Group Ltd	0.719	43.9%	49.4%	0.563
Xi'an Qujiang Cultural Tourism Co Ltd	1.180	24.1%	6.8%	1.122
Yunnan Tourism Co Ltd	1.089	25.9%	4.8%	1.051
Haichang Ocean Park Holdings Ltd	0.882	49.8%	23.3%	0.790
Dalian Sunasia Tourism Holding Co Ltd	1.156	25.7%	0.3%	1.154
Straco Corp Ltd	0.431	28.4%	0.0%	0.431
		Average	9.1%	0.919

Table C4: Levered Beta

Unlevered Beta	0.919
Applied D/E Ratio	9.07%
Tax Rate (Corporate Tax Rate in China)	25.00%
Re-levered Beta	0.981

Equity Risk Premium

In order to determine the equity risk premium, we have referred to the equity risk premium published by Professor Aswath Damodaran of New York University with the rates at 5.89% and 5.73% and the discount rate survey conducted by IESE Business School (median: 7.80%). Finally, we have applied 6.80% as the ERP for China in this case.

Size Premium

Size premium is the historical tendency for the stocks of firms with smaller market capitalizations to outperform the stocks of firms with larger market capitalizations. In here, the size premium is defined as a premium over the expected return of equity developed based on Capital Asset Pricing Model. As there is no similar research in China, we have made reference to the studies performed by Duff & Phelps. In this case, we have made reference to the size premium for micro-cap (according to market capitalization) of NYSE/AMEX/NASDAQ in the United States and applied 3.58% size premium.

Specific Company Adjustment

Specific company adjustment is designed to account for the additional risk factors specific to the company being valued.

Company specific risk factors may include the following:

- Unfavourable policy due to recent policy change
- Litigation
- Over reliance on single or few customers/suppliers
- Change in key management
- Restriction on fund raising
- Obsolete technology
- Accidents

In this case, we believe it was necessary to apply 5% specific company adjustment to the cost of equity as the business is growing and regarded to have a higher risk.

Table C5: Cost of Equity

Risk Free Rate	3.90%
Beta	0.981
Equity Risk Premium	6.80%
Size Premium	3.58%
Specific Company Adjustment	5.00%
Cost of Equity	19.15%

Remark: details may not add to total due to rounding.

Development of Cost of Debt

In this particular case, we assume 4.9% as the cost of debt, which is the long term borrowing rate benchmark in China.

Development of Weighted Average Cost of Capital

WACC is determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise's capital structure. For this particular exercise, we have made reference to the average capital structure of the comparable companies.

As at the Valuation Date, the weighted average cost of capital would be:

$$\text{WACC} = \frac{D}{V} \times (1 - T_c) \times r_{\text{debt}} + \frac{E}{V} \times r_{\text{equity}}$$

D: Debt

T_c : Corporate Tax Rate

E: Equity

r_{debt} : Cost of Debt

V: Debt and Equity

r_{equity} : Cost of Equity

Table C6: Weighted Average Cost of Capital

Debt Weighting (D/V)	8.32%
× Cost of Debt (r_{debt})	4.90%
× (1 – Corporate Tax Rate (T_c))	75.00%
Weighted Cost of Debt	0.31%
+	
Equity Weighting (E/V)	91.68%
× Cost of Equity (r_{equity})	19.15%
Weighted Cost of Equity	17.56%
WACC	17.87%
Rounded	18.00%

We have also performed sensitivity analysis based on various combinations of the selected comparable companies. The discount rates under the different combinations are in a range from 17% to 19%. We therefore conclude a 18% of discount rate for this case.

EXHIBIT D – INDUSTRY OVERVIEW

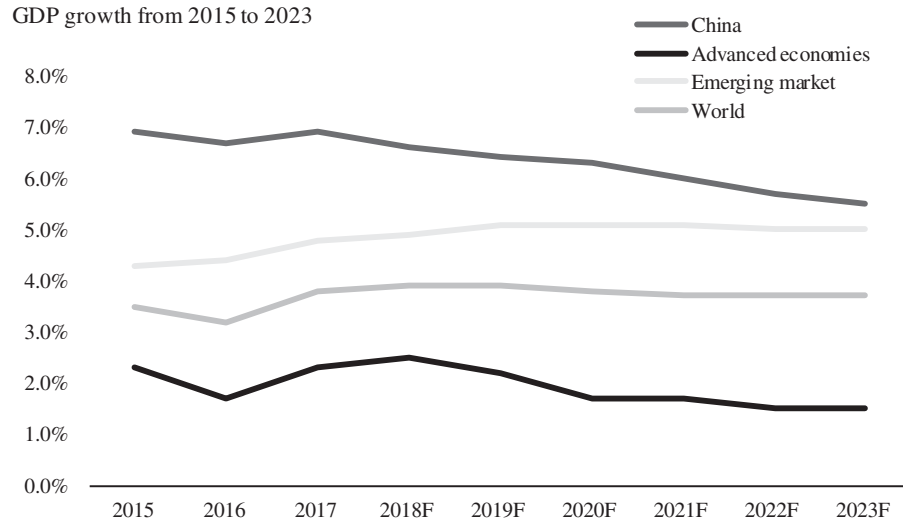
The information discussed or quoted in this section is based on our research from public sources, including publicly published articles, research papers, and databases. While we have tried to verify the information on a best-effort basis, accuracy and completeness of the information cannot be guaranteed.

Macro-Economic Environment*General economic outlook*

Since 2010, China's growth has slowed down steadily for nearly six years. In 2017, however, the annual gross domestic product (GDP) growth bounced back to 6.9%, above the official target of 6.5%, and 6.7% growth in 2016. Some believe that China's economy has bottomed out and entered into a consolidation phase. In January 2018, International Monetary Fund (IMF) revised China's growth forecast upward for the fifth consecutive time since January 2017. According to IMF, China's GDP growth in 2018 is expected to be 6.6%. The expected consolidation and stabilization has been confirmed by a statement in the China's annual Central Economic Work Conference held in December 2017 was that "China's economy has transitioned from a phase of rapid growth to a stage of high-quality development". In light of the signs of consolidation and stabilization, the following will be the driving factors of the China's economy in the near term:

- Infrastructure investments fuelled by government's support remain stable, despite that the growth may come down – in 2017, China's investment in infrastructure grew 14%, providing a solid foundation for the whole economy. In its attempt to offset the drop in private investments and trade, the Chinese government has been supportive in infrastructure projects. However, the investments have counted on deficit spending which impose pressure to the government's financial
- Trade is expected to recover, though weak external demand will persist – China witnessed decline during 2015 and 2016. Starting from January 2017, China's trade volumes rebounded thanks to the improvements in the global economy. In 2017, the value of exports, imports, and total trade recorded monthly growths in most of the months
- Real estate investment has bottomed out and is expected to rebound – in 2016, investment in real estate recorded a 6.9% year-on-year growth, compared to 1% in 2015. The government implemented restrictive policies against the housing market in the second half of 2016. The policies extended their effect into 2017. The growth of the real estate sector is expected to be capped by such policies
- Stable domestic consumption – since 2011, consumption has overtaken investment to be the largest contributor to China's economic growth, accounting for 60% of GDP growth in 2017. However, the consumption growth has been slowing down in the past few years. Since 2013, the year-on-year monthly growth rate has decreased to about 10%, comparing to the annual growths of 15% to 20% during the period between 2008 and 2011. Consumption growth is expected to reach 7.0% – 7.6% in 2018 and 6.9% – 7.7% in 2019.

Figure D1: GDP growth rate of China and other economies

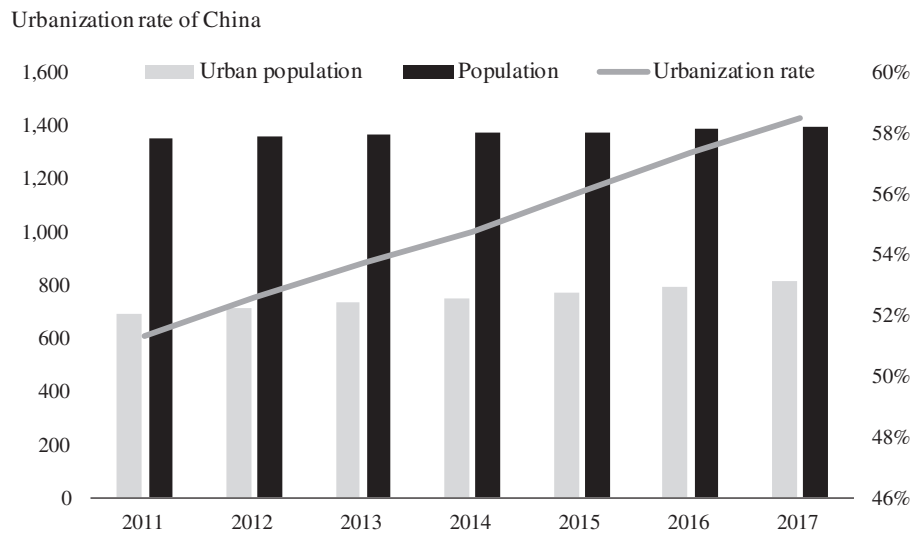


Source: IMF

Rapid urbanization in China

Since the Chinese economic reform, the rapid urbanization of China has greatly improved the living standard of the Chinese citizens. The urbanization rate in China rose from 51.3% in 2011 to 58.5% in 2017. During the same period, the urban population increased from 691 million to 813 million. And the urbanization rate is expected to reach 60% by 2020, according to the National Plan on New Urbanization formulated by the State Council of China.

Figure D2: the urban population of China

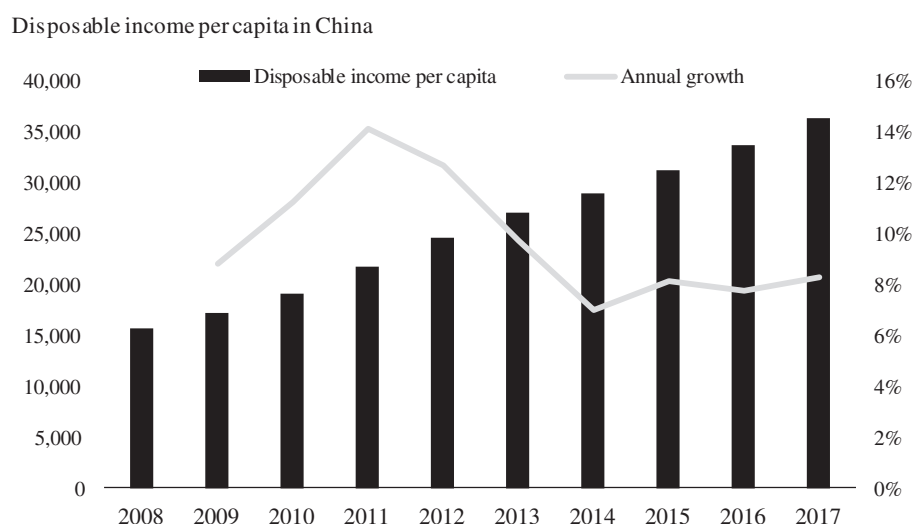


Source: National Bureau of Statistics of China

Disposable income per capita

In 2017, China's disposable income per capita amounted to RMB25,974, representing a 7.3% year-on-year growth in real terms, comparing to a 6.3% rise in 2016. The growth in 2017 marked the first acceleration in annual pace since 2010. The urban disposable income per capita increased from RMB21,810 in 2011 to RMB36,396 in 2017, with a CAGR of 8.9%. At the same time, the rural disposable income per capita increased from RMB3,255 in 2005 to RMB13,432 in 2017 with a CAGR of 12.5%. By 2020, China aims to double the income of its urban and rural residents per capita from 2010 levels, to build a moderately prosperous society.

Figure D3: Disposable income per capita, 2005 – 2017

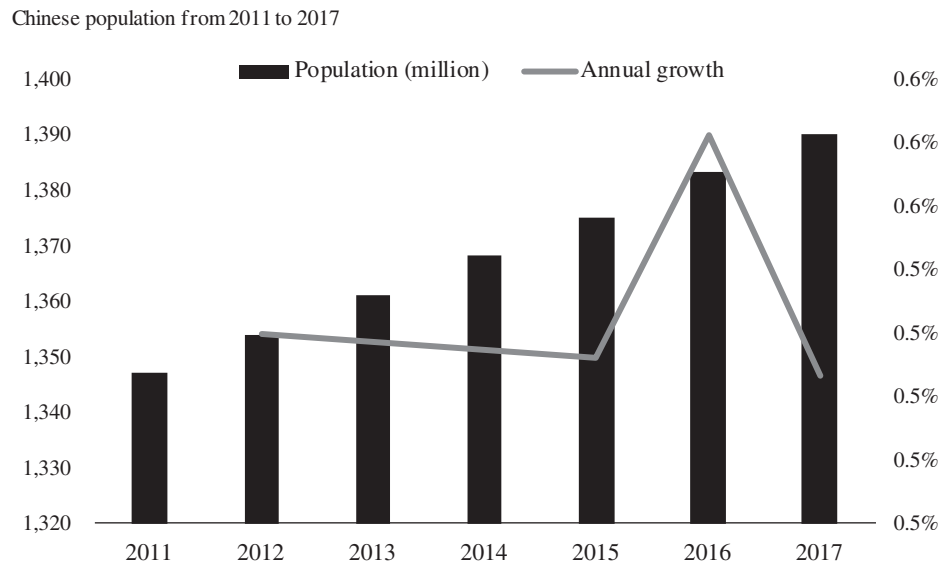


Source: National Bureau of Statistics of China

Population growth

With its 1.3 billion population, China remains the most populous country in the world. In the recent decade, the Chinese population has been growing at a steady rate of about 0.5%. According to National Bureau of Statistics of China, China's population recorded a CAGR of 0.53% during the period between 2011 and 2017 to reach 1.39 billion. Going forward, the Chinese population is expected to grow steadily. Coupled with the rapid urbanization and expansion of middle class, domestic demand for luxury goods such as vehicles, jewellery, leisure travelling, etc. are expected to grow rapidly.

Figure D4: Chinese population, 2011 – 2017



Source: National Bureau of Statistics of China

Inflation

Inflation was mild in 2017. Consumer price inflation was around 1.5% in 2017, which was lower than the government's target level, i.e. 3%. Low inflation was a result of milder imported inflation and receding local cost pressure during the year. Producer Price Index has ended its downtrend and returned to positive numbers since September 2016.

According to economic outlook of 2018 from the Economist, it is expected that the property market is ready for a modest revival in 2018, with tough home-buying policies in line to be gradually peeled back to ensure the GDP growth is close to its target level. Increasing the low-cost rental housing might also another booster to the construction industry. Although infrastructure investment is still a very important support to the economic growth, it is likely to record a lower growth in 2018 against a high base of comparison and due to the lagged impact of tighter monetary policy in 2017.

On the consumption side, it is expected the economy remains good as the incomes still growing relatively rapidly. Although the rapid growth in household leverage might be a potential hazard, the persistently high household savings rate ought to ensure stable expenditure, and reduced import taxes on some goods will also support local consumption. However, the trade tension between US and China would be another crucial risk factor to consider.

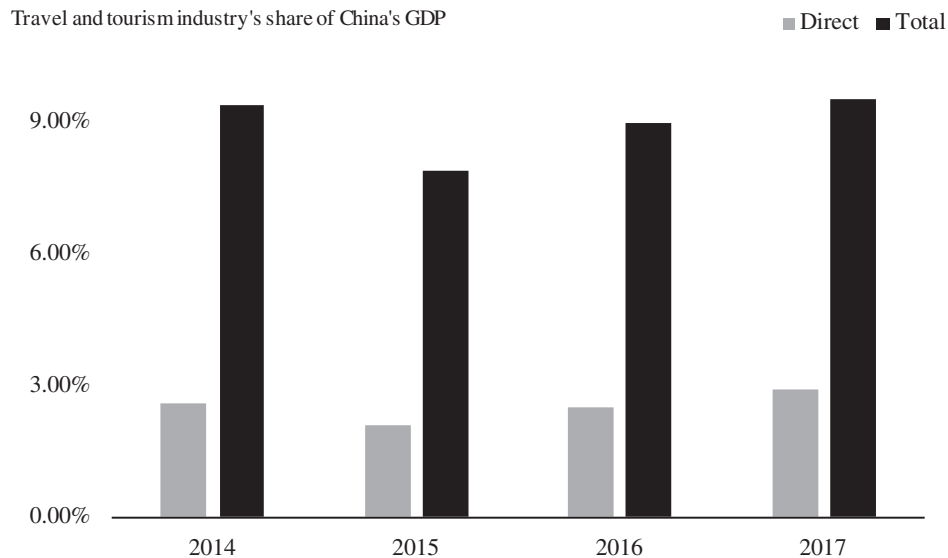
Tourism Industry in China

Since Chinese economic reform started in the early 1980s, tourism has been playing an important role in the Chinese economy. The driving factors of the tourism industry include:

- the emergence of the affluent middle class;
- the lifting of travelling restrictions against residents and foreigners

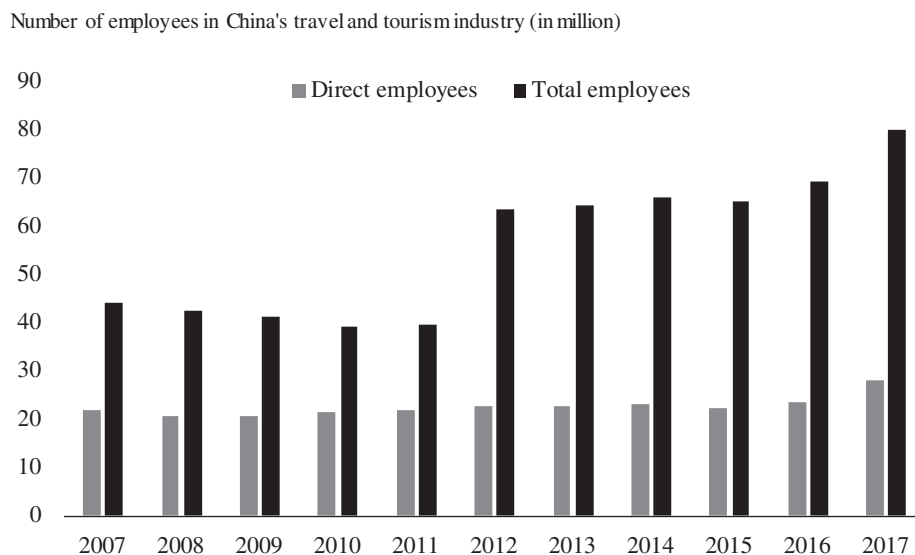
According to Statista, a market intelligence provider on the internet, the number of domestic trips in China is expected to reach 2.38 billion by 2020, representing an increase of more than 50% compared to the number in 2010. In 2016, a total revenue of RMB3.94 trillion was generated from the Chinese tourism industry, up 15.2% from the previous year. The contribution to China's GDP of the industry was 2.9% in 2017 and the industry has created around 22.5 million jobs. If indirect employments were taken into account, about 65 million people were hired to work in the industry as of 2015.

Figure D5: travel and tourism industry's share of GDP in China



Source: Statista

Figure D6: number of employees in China's travel and tourism industry

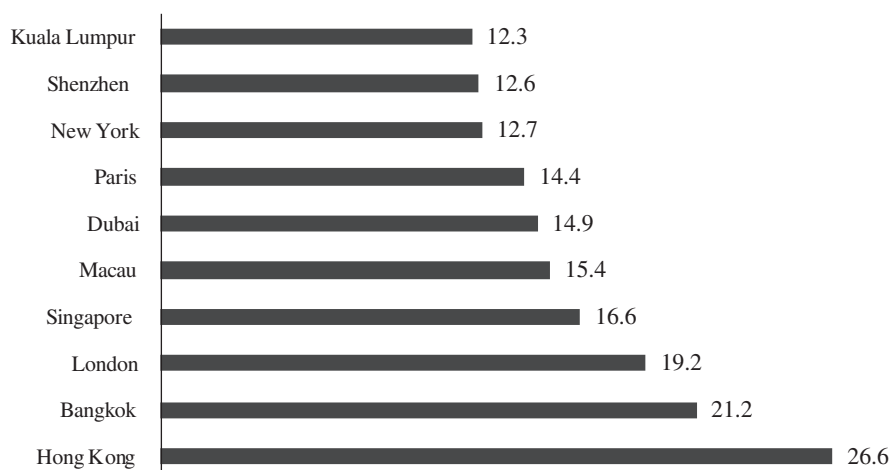


Source: Statista

With its unique historical and oriental cultural background, China has become one of the most popular travel destinations for many countries such as Thailand, Japan, South Korea, Maldives, Russia, and United Kingdom. According to Euromonitor, Shenzhen ranked the 9th in 2017 for the world's most visited cities.

Figure D6: the world's most visited cities

The World's most visited cities, 2017 (in million)



Source: Euromonitor International via World Economic Forum

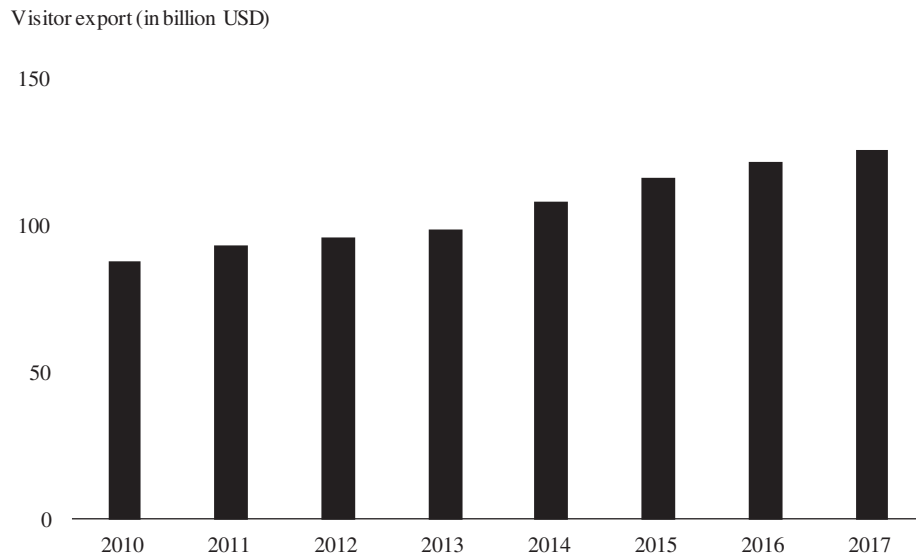
Inbound tourism has significant contribution to the revenue from the industry. Revenue from inbound tourism reached USD114 billion in 2015. The number of international arrivals amounted to 134 million in the year.

For outbound tourism, Chinese outbound travellers spent USD292 billion in 2015. A surge in business travel is also seen due to the growing China's economy. The main business travel purposes among Chinese enterprises were meetings, trainings, different kinds of conventions and exhibitions, including project work and sales product shows.

Visitor Exports

Visitor exports are a key component of the direct contribution of travel and tourism. In 2017, China generated RMB846.9 billion in visitor exports. The visitor exports of China grew from USD88 billion in 2010 to USD125 billion in 2017, according to Knoema, an internet business intelligence provider.

Figure D7: Visitor exports of China from 2010 to 2017



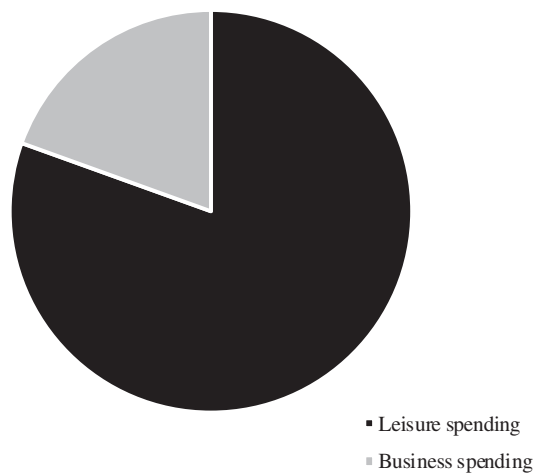
Source: Knoema

Components of Travel and Tourism

Leisure travel is a major part of the industry. The spending on leisure travel (inbound and domestic) generated 80.5% of direct travel and tourism GDP in 2017 (RMB5,256.0 billion) compared with 19.5% for business travel spending (RMB1,274.7 billion). According to World Travel and Tourism Council, the spending on leisure travel is expected to grow by an average of 6.9% starting from 2018 until 2028 to reach RMB10,950 billion.

Figure D8: Contributions of leisure travel and business travel

Travel & tourism's contribution to GDP, business Vs leisure, 2017



Source: World Travel & Tourism Council

China domestic travel has grown robustly and rapidly. The domestic travel spending generates 87.0% of direct tourism GDP in 2017, compared with 13.0% for foreign visitor spending. The domestic travel is expected to grow 7.8% and foreign visitor is expected to grow 0.5% in 2018, according to World Travel & Tourism Council.

Figure D9: Key industry estimates and forecasts

USD billion	2017	2028	CAGR
Total contribution to GDP	1,349	2,732	7%
Total contribution to employment ('000)	79,900	116,493	3%
Visitor exports	125	153	2%
Domestic spending	841	1,844	7%
Leisure spending	778	1,620	7%
Business spending	189	377	6%
Capital investment	155	310	7%

Source: World Travel & Tourism Council

The expansion of China's middle class is continuously boosting up the demand for domestic travel opportunities and services. Although the high-end accommodation and catering industries are still in a downturn due to the modest growth of China's economy and anti-graft campaign, mid-level and economy hotels are still performing well. Demand on leisure travel has shifted from small sector inclusive of senior management of few state-owned enterprises or owners of large corporates to a much wider sector. i.e. the general public.

Domestic tourism is an important segment of the service industry in China. It is also being used as a policy to resolve the serious wealth imbalance among different regions and is the primary focus under China's economic transformation and enhancement. Many new policies and guidelines are being published by the central government to support the development of tourism. For instance, the long vacation policy and toll-free highway policy catering for long holidays have stimulated domestic tourism.
















EXHIBIT E – COMPARABLE COMPANIES’ BUSINESSES

Comparison between Hongshan Sports Park and selected CoCos					
Co Name	Location	Business			Overall
		Hospitality	Facility	Catering	
The Project	China	Two hotels within Hongshan Sports Park	Hongshan Sports Park provides a wide range of sports and entertainment facilities including water golf field, dragonboat pier, camping site, and water sports centre	Two restaurants and a café are being operated in Hongshan Sports Park	N/A
Songcheng Performance Development Co Ltd	China	Operates 10 resorts including First World Hotel and Romance Theme Hotel	Operates 30 theme parks including Songcheng Hangzhou Paradise and Xiang Lake Songcheng Park	The company provides catering services in several hotels and resorts	
Comparability	●	●	●	●	●
Emei Shan Tourism Co	China	Owns and operates several hotel including Hongzhu Mountain State Hotel and E-mei Mountain Hotel	Sale of admission tickets of Mount Emei scenic area, the operation of passenger cableways	The company provides catering services in several hotels and resorts	
Comparability	●	●	●	●	●
Wuhan Sante Cableways Group Co Ltd	China	Operates Huashan Inn and developing several resorts including Inner Mongolia Hot Spring Resort and Guizhou Taipinghe Leisure Tourism Resort	Operation of sightseeing ropeways in scenic areas, the operation of tourist attractions and the sale of tickets	The company provides catering services in several hotels and resorts	
Comparability	●	●	●	●	●






Legend:

- Highly comparable
- Very comparable
- Comparable
- Slightly Comparable
- Incomparable

Comparison between Hongshan Sports Park and selected CoCos

Co Name	Location	Business			Overall
		Hospitality	Facility	Catering	
The Project	China	Two hotels within Hongshan Sports Park	Hongshan Sports Park provides a wide range of sports and entertainment facilities including water golf field, dragonboat pier, camping site, and water sports centre	Two restaurants and a café are being operated in Hongshan Sports Park	N/A
Landing Intl Development Ltd	South Korea	Owens and operates several hotels including Landing Convention Centre and Jeju Shinhwa World Marriott Resort	Owens and operates Shinhwa Theme Park which offers entertainment facilities	The company provides catering services in Landing Convention Centre, YG Republique, and several hotels	
Comparability					
Zhuhai Holdings Investment Group	China	Owens and operates Zhuhai Holiday Resort Hotel	Owens and operates New Yuanming Palace, Fantasy Water World and Zhuhai Lakewood Golf Club	The company provides catering services in Zhuhai Holiday Resort Hotel	
Comparability					
Xi'an Qujiang Cultural Tourism Co Ltd	China	Owens and operates several hotels, including Xi'an Garden Hotel and Fanglinyuan Hotel	Owens and operates several theme parks, including Tang Paradise and Xi'an Qujiang Ocean World	The company own several restaurants, such as Yu Yan Gong and HanYang Guan	
Comparability					






Legend:

-  Highly comparable
-  Very comparable
-  Comparable
-  Slightly Comparable
-  Incomparable






Comparison between Hongshan Sports Park and selected CoCos






Co Name	Location	Business			Overall
		Hospitality	Facility	Catering	
The Project	China	Two hotels within Hongshan Sports Park	Hongshan Sports Park provides a wide range of sports and entertainment facilities including water golf field, dragonboat pier, camping site, and water sports centre	Two restaurants and a café are being operated in Hongshan Sports Park	N/A
Yunnan Tourism Co Ltd	China	Owns and operates Expo Garden Hotel	Owns and operates Kunming World Horticultural Expo Garden	The company provides catering services in Expo Garden Hotel	
Comparability					
Haichang Ocean Park Holdings Ltd	China	Owns and operates several hotels in the themes parks	Owns and operates several theme parks including Qingdao Polar Ocean World, Qingdao Polar Ocean World and Dalian Haichang Discovery Land Theme Park	The company provides catering services in the theme parks	
Comparability					
Dalian Sunasia Tourism Holding Co Ltd	China	N/A	The company own Sun Asia Ocean World and Polar World, and plan to develop several theme parks.	The company provides catering services in the theme parks	
Comparability					

Legend:

-  Highly comparable
-  Very comparable
-  Comparable
-  Slightly Comparable
-  Incomparable

Comparison between Hongshan Sports Park and selected CoCos

Co Name	Location	Business			Overall
		Hospitality	Facility	Catering	
The Project	China	Two hotels within Hongshan Sports Park	Hongshan Sports Park provides a wide range of sports and entertainment facilities including water golf field, dragonboat pier, camping site, and water sports centre	Two restaurants and a café are being operated in Hongshan Sports Park	N/A
Straco Corp Ltd	China, Singapore	N/A	The company is operating several facilities, such as Singapore Flyer, Shanghai Ocean Aquarium	The company provides catering services	
Comparability					

- Legend:
-  Highly comparable
 -  Very comparable
 -  Comparable
 -  Slightly Comparable
 -  Incomparable

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 31 July 2018 of the property interests of the Company.



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10 October 2018

The Board of Directors
Orient Victory Travel Group Company Limited
2603, 26th Floor, Harbour Centre,
25 Harbour Road,
Wanchai
Hong Kong

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions of Orient Victory Travel Group Company Limited (the “Company” and together with its subsidiaries the “Group”) for us to carry out the valuation of the property interests held by Jiangsu Hongshan Sports Fitness Holiday Village Co., Ltd. (江蘇紅山體育健身度假村有限公司) and Jiangsu Yiersan Real Estate Development Co., Ltd. (江蘇一二三房地產開發有限公司) (hereinafter together referred to as the Target Company A and Target Company B respectively) in the People’s Republic of China (the “PRC”). We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 July 2018 (the “valuation date”).

PREMISES OF VALUE

The valuation is our opinion of market value which is defined by the Hong Kong Institute of Surveyors as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion”.

BASIC OF VALUATION

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the HKIS Valuation Standards (2017 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published from time to time by the International Valuation Standards Council.

Our valuation exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

CATEGORISATION OF PROPERTY INTERESTS

In the course of our valuation, the appraised property interests have been categorized according firstly to type of interests held by the Target Companies, which in turn being classified into the following groups:

Group I – Property interests held and occupied by the Target Company A in the PRC;

Group II – Property interests held for future development by the Target Company B in the PRC; and

Group III – Property interests rented and occupied by the Target Company A in the PRC.

VALUATION METHODOLOGY

In valuing the property interests in Group I and II, we have valued by market approach by making reference to comparable market transactions in our assessment of the property interests. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

In valuing the property interests in Group III which are rented by the Group, we have attributed no commercial value due to inclusion of non-alienation clause or otherwise due to lack of substantial profit rents or short-term nature.

TITLE INVESTIGATION

We have been provided by the Company with copy of extract of the title documents relating to the property interests. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any amendments which may not appear on the copies handed to us.

However, we have not searched the original documents to verify ownership or to ascertain any amendment. Due to the current registration system of the PRC under which the registration information is not accessible to the public, no investigation has been made for the title of the property interests in the PRC and the material encumbrances that might be attached. In the course of our valuation, we have relied considerably on the legal opinion given by the Company's PRC legal adviser – Hebei Bidao Law Firm, concerning the validity of title of the properties in the PRC.

SITE INVESTIGATION

We have inspected the exterior and, where possible, the accessible portions of the interior of the properties being appraised. The inspection was carried out by Mr. Greivis Sze (Valuer of AVISTA Valuation Advisory Limited) from 1 February 2018 to 2 February 2018. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services. We are, therefore, not able to report whether the properties are free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the properties taking into account the general appearance, the apparent standard and age of fixtures and fittings and the existence of utility services. Hence it must be stressed that we have had regard to you with a view as to whether the buildings are free from defects or as to the possibility of latent defects which might affect our valuation. In the course of our inspection, we did not note any serious defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash, or any other deleterious material has been used in the construction of the properties. We are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that deleterious material has not been used in the construction of the properties.

We have not been commissioned to carry out detailed site measurements to verify the correctness of the land or building areas in respect of the properties but have assumed that the areas provided to us are correct. Based on our experience of valuation of similar properties, we consider the assumptions so made to be reasonable.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the property interests. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the properties or on adjoining or neighbouring land or that the properties had been or are being put to contaminated use, we reserve right to revise our opinion of value.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company or the legal or other professional advisers on such matters as statutory notices, planning approval, zoning, easements, tenure, completion date of building, development proposal, identification of property, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore approximations and for reference only. We have not searched original plans, developer brochures and the like to verify them.

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

VALUATION ASSUMPTIONS

For the properties which are held under long term land use rights, we have assumed that transferable land use rights in respect of the property interests at nominal land use fees has been granted and that any premium payable has already been fully settled. Unless stated as otherwise, we have assumed that the respective title owner of the properties have an enforceable title of the property interests and have free and uninterrupted rights to occupy, use, sell, lease, charge, mortgage or otherwise dispose of the properties without the need of seeking further approval from and paying additional premium to the Government for the unexpired land use term as granted. Unless noted in the report, vacant possession is assumed for the property concerned.

Moreover, we have assumed that the design and construction of the properties are/will be in compliance with the local planning regulations and requirements and had been/would have been duly examined and approved by the relevant authorities.

Continued uses assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realised from piecemeal disposition of the property in the open market.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilisation of the land and improvements are within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the report.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have further assumed that the properties were not transferred or involved in any contentious or non-contentious dispute as at the valuation date. We have also assumed that there was not any material change of the properties in between dates of our inspection and the valuation date.

LIMITING CONDITION

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

CURRENCY

Unless otherwise stated, all amounts are denominated in Renminbi (RMB). Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Sr Oswald W Y Au
MHKIS(GP) AAPI MSc(RE)
Registered Professional Surveyor (GP)
Director

Note: Mr. Oswald W Y Au holds a Master's Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 10 years' experience in the valuation of properties including Hong Kong, the PRC, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

SUMMARY OF VALUES

Group I – Property interests held and occupied by the Target Company A in the PRC

No.	Property	Market value in existing state as at 31 July 2018 RMB	Interest Attributable to the Target Company A	Market value Attributable to the Target Company A as at 31 July 2018 RMB
1.	31 blocks of chalet hotel and a business hotel Located at No. 99 Zaolin West Road Zaolin Bay Yizheng City Jiangsu Province the PRC	46,750,000	100%	46,750,000
Sub-total:		46,750,000	100%	46,750,000

Group II – Property interests held for future development by the Target Company B in the PRC

No.	Property	Market value in existing state as at 31 July 2018 RMB	Interest Attributable to the Target Company B	Market value Attributable to the Target Company B as at 31 July 2018 RMB
2.	6 parcels of land (near Zhangshan Village and Zaolin Reservoir) Located at Xiaohongshan zu Zhangshan Village Tongshan sub-district office Yizheng City Jiangsu Province the PRC	No commercial value	100%	No commercial value
Sub-total:		No commercial value	100%	No commercial value

Group III – Property interests rented and occupied by the Target Company A in the PRC

No.	Property	Market value in existing state as at 31 July 2018 <i>RMB</i>	Interest	Market value
			Attributable to the Target Company A	Attributable to the Target Company A as at 31 July 2018 <i>RMB</i>
3.	1 parcel of land (Hongshan Sports Park, near Zhangshan Village and Zaolin Reservoir) Located at Zaolin Bay Yizheng City Jiangsu Province the PRC	No commercial value	100%	No commercial value
	Sub-total:	No commercial value	100 %	No commercial value
	Grand-total:	46,750,000	100 %	46,750,000

VALUATION CERTIFICATE

Group I – Property interests held and occupied by the Target Company A in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value Attributable to the Company as at 31 July 2018 RMB
1.	31 blocks of Chalet Hotel and a business hotel Located at No. 99 Zaolin West Road Zaolin Bay Yizheng City Jiangsu Province the PRC	<p>The property comprises 8 parcels of land with a site area of approximately total 23,042.00 sq.m. and mainly include 31 blocks of chalet hotel and a business hotel erected upon and was completed from 2009 to 2013.</p> <p>The property has 38 buildings erected upon with a total gross floor area of approximately 11,355.38 sq.m.</p> <p>The buildings mainly include 31 blocks of chalet hotel (total provided 48 hotel rooms) with a total gross floor area of approximately 3,704.11 sq.m. and a business hotel (total provided 82 hotel rooms) with a total gross floor area of approximately 3,487.05 sq.m., 1 restaurant and various types of amenities such as an office building and a stable.</p> <p>The land use rights of the property have been granted for a term of approximately 40 years expiring on 20 October 2051 and 11 May 2052 for accommodation and catering use and commercial use respectively.</p>	The property is currently occupied by Jiangsu Hongshan Sports Fitness Holiday Village Co., Ltd. (江蘇紅山體育健身度假村有限公司) for hotel business.	<p>46,750,000</p> <p>(100% interest attributable to the Target Company A: 46,750,000)</p>

Notes:

- Pursuant to 8 State-owned Land Use Rights Certificates, the land use rights of 8 parcels of land with a total site area of approximately 23,042.00 sq.m. have been granted to Jiangsu Hongshan Sports Fitness Holiday Village Co., Ltd. (江蘇紅山體育健身度假村有限公司) with the detail information as follow:

No.	State-owned Land Use Rights Certificate No.	Expiry Date	Site Area (sq.m.)	Usage
1.	Yi Guo Yong (2015) Di No. 12009	20 October 2051	16,340.00	Accommodation and catering
2.	Yi Guo Yong (2015) Di No. 12007	20 October 2051	306.00	Accommodation and catering

No.	State-owned Land Use Rights Certificate No.	Expiry Date	Site Area (sq.m.)	Usage
3.	Yi Guo Yong (2015) Di No. 12005	20 October 2051	1,533.00	Accommodation and catering
4.	Yi Guo Yong (2015) Di No. 12008	11 May 2052	1,250.00	Commercial
5.	Yi Guo Yong (2015) Di No. 11914	20 October 2051	922.00	Accommodation and catering
6.	Yi Guo Yong (2015) Di No. 12010	20 October 2051	895.00	Accommodation and catering
7.	Yi Guo Yong (2015) Di No. 11989	20 October 2051	1,648.00	Accommodation and catering
8.	Yi Guo Yong (2015) Di No. 12006	20 October 2051	148.00	Accommodation and catering
Total:			23,042.00	
2. Pursuant to 8 Building Ownership Certificates, the property with a total gross floor area of approximately 11,355.38 sq.m. is held by Jiangsu Hongshan Sports Fitness Holiday Village Co., Ltd. (江蘇紅山體育健身度假村有限公司) with the detail information as follow:				
No.	Building Ownership Certificate No.		Gross Floor Area (sq.m.)	Issuance Date
1.	Yi Fang Quan Zheng Tong Shan Ban Zi Di No. 2013011098		1,237.77	30 December 2013
2.	Yi Fang Quan Zheng Tong Shan Ban Zi Di No. 2013011100		1,100.07	30 December 2013
3.	Yi Fang Quan Zheng Tong Shan Ban Zi Di No. 2013011094		858.63	30 December 2013
4.	Yi Fang Quan Zheng Tong Shan Ban Zi Di No. 2013011106		3,704.11	30 December 2013
5.	Yi Fang Quan Zheng Tong Shan Ban Zi Di No. 2013011102		156.32	30 December 2013
6.	Yi Fang Quan Zheng Tong Shan Ban Zi Di No. 2013011096		470.57	30 December 2013
7.	Yi Fang Quan Zheng Tong Shan Ban Zi Di No. 2013011097		340.86	30 December 2013
8.	Yi Fang Quan Zheng Tong Shan Ban Zi Di No. 2015003657		3,487.05	20 May 2015
Total:			11,355.38	

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The lands and buildings were pledged; and
 - b. Target Company A can freely transfer, use or pledge the lands and buildings after the mortgage has been released.
4. A summary of major certificates/licenses is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Building Ownership Certificate	Yes
5. In our valuation, we have made reference to the transaction records of some hotel comparable to the property based on similar locality and similar usage. We have adopted the range of unit rate between RMB200,000 – RMB450,000 per room. The unit rates assumed by us are consistent with the said price reference. Due adjustments to the unit rates of those price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.
6. As confirmed by the Company that there is no material environmental and planning issues.

VALUATION CERTIFICATE

Group II – Property interests held for future development by Target Company B in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value Attributable to the Company as at 31 July 2018 RMB
2.	6 parcels of land (near Zhangshan Village and Zaolin Reservoir) Located at Xiaohongshan zu Zhangshan Village Tongshan sub-district office Yizheng City Jiangsu Province the PRC	<p>The property comprises 6 parcels of land with a site area of approximately total 32,437.00 sq.m.. These 6 parcels of land are located in the same village and separate by some roads and other vacant lands.</p> <p>The property is located at Yizheng City, near the Zaolin Bay, with approximately 40km to Yangzhou Train station and 85km to Nanjing Lukou International Airport.</p> <p>The land use rights of the property have been granted for a term of approximately 70 years expiring on 3 April 2081 for residential use.</p>	The property was vacant as at the valuation date.	<p>No commercial value</p> <p>(100% interest attributable to Target Company B: No commercial value)</p>

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract (Ref: 3210812011CR0037) dated 4 April 2011 issued by the Yizheng City Bureau of Land Resources, the land use rights of a parcel of land with a site area of approximately 32,437.00 sq.m. have been granted to Jiangsu Yiersan Real Estate Development Co., Ltd. (江蘇一二三房地產開發有限公司) for a land use right term of 70 years for residential use.

As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Permitted Gross Floor Area:	32,437.00 sq.m.
Plot Ratio:	≥1.0, ≤1.4
Site Coverage:	≤35%
Greenery Coverage:	≥30%

2. Pursuant to the 6 State-owned Land Use Rights Certificate dated 3 November 2011, the land use right of 6 parcels of land with a total site area of approximately 32,437.00 sq.m. for a term of approximately 70 years for residential use. The details are as follows:

No.	State-owned Land Use Rights Certificates No.	Expiry Date	Site Area (sq.m.)	Usage
1	Yi Guo Yong (2011) Di No. 03714	3 April 2081	6,754.00	Residential
2	Yi Guo Yong (2011) Di No. 03729	3 April 2081	9,195.00	Residential
3	Yi Guo Yong (2011) Di No. 03728	3 April 2081	4,499.00	Residential
4	Yi Guo Yong (2011) Di No. 03731	3 April 2081	4,867.00	Residential
5	Yi Guo Yong (2011) Di No. 03727	3 April 2081	4,960.00	Residential
6	Yi Guo Yong (2011) Di No. 03730	3 April 2081	2,162.00	Residential
Total:			32,437.00	

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The lands were not pledged;
 - b. As confirmed by the government managing organization – Jiangsu Province Yizheng Zaolin Bay Tourist Resort Management Office (江蘇省儀征棗林灣旅遊度假區管理辦公室), the delay of commencement of construction is due to the delayed relocation for a peasant household and the risk that Jiangsu Yiersan Real Estate Development Co., Ltd. (江蘇一二三房地產開發有限公司) will be subject to idle land fees/or forfeiture of land for the delay in commencement of construction works of the property is low; and
 - c. Article 39 of Real Estate Administration Law of the PRC states that if the land use right is obtained through transfer, when transferring the real estate, the following conditions shall be met: (i) all the land use right grant fee has been paid according to the transfer contract, and the land use right certificate has been obtained; (ii) if investment and development are made according to the transfer contract, more than 25% of the total development investment has been completed for the house development project, and conditions for the industrial land or other construction land shall be provided for the development of tracts of land. If the house is completed when transferring the real estate, the house ownership certificate shall also be obtained. Since the lands are yet to be developed, the transaction conditions of the lands are not fulfilled. Provided that the transfer of the equity interest of Target Company B does not involve the transfer of land ownership, the transfer of the equity interest of Target Company B will not affect by the transaction conditions of the land.
4. In the course of our valuation, we have attributed no commercial value to the property since the property has not fulfilled the transaction conditions. However, for reference purpose, we are of the opinion that the reference value of the property as at the valuation date would be RMB 80,290,000, assuming all relevant transaction conditions have been fulfilled and the property could be freely transferred.
5. In our valuation, we have made reference to some transaction price references of land comparables in the subject and nearby development. We have adopted the range of unit rates between RMB1,600 to RMB2,000 per sq.m. The unit rates assumed by us are consistent with the said price reference. Due adjustments to the unit rates of those price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.
6. A summary of major certificates/licenses is shown as follows:
 - a. State-owned Land Use Rights Certificate Yes
7. As confirmed by the Company that there is no material environmental and planning issues.

VALUATION CERTIFICATE

Group III – Property interests rented and occupied by the Target Company A in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2018 RMB
3.	1 parcel of land (Hongshan Sports Park, near Zhangshan Village and Zaolin Reservoir) Located at Zaolin Bay Yizheng City Jiangsu Province the PRC	<p>The property comprises 1 parcel of land with a total site area of approximately 3,715.66 mu (approximately 2,477,081.9 sq.m.).</p> <p>The property is located at Yizheng City, near the Zaolin Bay, with approximately 40km to Yangzhou Train station and 85km to Nanjing Lukou International Airport.</p> <p>The property is leased to Jiangsu Hongshan Sports Fitness Holiday Village Co., Ltd. (江蘇紅山體育健身度假村有限公司) for a term commencing from 1 January 2009 and expiring on 31 December 2058.</p>	The property was occupied by the Target Company A as at the valuation date.	<p>No commercial value</p> <p>(100% interest attributable to the Target Company A: No commercial value)</p>

Notes:

- Pursuant to a rural land operation rights tenancy agreement (農村土地經營權轉包(出租)協議) entered into between Yizheng City Tangshan office (儀征市銅山辦事處) and Jiangsu Hongshan Sports Fitness Holiday Village Co., Ltd. (江蘇紅山體育健身度假村有限公司), the land operation rights of 1 parcel of land with a total site area of approximately 3,715.66 mu (approximately 2,477,081.9 sq.m.) were contracted to be assigned for a term commencing from 1 January 2009 and expiring on 31 December 2058.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - The lease term may not exceed 20 years. If the lease term exceeds 20 years, the portion of the lease beyond the initial 20 years period is invalid under the Contract Law of the People's Republic of China; and
 - The rural land operation rights tenancy agreement should be extended before the expiration of statutory time limit.
- As confirmed by the Company that there is no material environmental and planning issues.

The following is the text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this circular.



**REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH
THE VALUATION OF THE EQUITY INTEREST IN GREAT ASCENT LIMITED**

To the Board of Directors of Orient Victory Travel Group Company Limited

We refer to the discounted future cash flows on which the valuation (the “Valuation”) dated 10 October 2018 prepared by Flagship Appraisals and Consulting Limited in respect of the appraisal of the market value of 100% equity interest in Great Ascent Limited (the “Target Company”) as at 31 December 2017 is based. The Valuation is prepared based in part on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Directors’ Responsibilities

The directors of Orient Victory Travel Group Company Limited (the “Directors”) are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

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

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

Reporting Accountants’ Responsibilities

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of Opinion

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Target Company or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

KPMG*Certified Public Accountants*

Hong Kong

10 October 2018

APPENDIX IV LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE PROFIT FORECAST ON GREAT ASCENT

The following is the text of the letter from the Independent Financial Adviser dated 10 October 2018 prepared for, among other purposes, inclusion in this circular.

10 October 2018

Orient Victory Travel Group Company Limited
Room 2603, 26/F
Harbour Centre
25 Harbour Road
Wanchai, Hong Kong

Attention: Board of Directors

Dear Sirs,

Re: Orient Victory Travel Group Company Limited (the “Company”) – Report on the Discounted Future Cash Flows in connection with the Valuation of the Equity Interest in Great Ascent Limited

We refer to the discounted future cash flows (the “**Valuation**”) on which the valuation dated 10 October 2018 prepared by Flagship Appraisals and Consulting Limited (the “**Valuer**”) in respect of the appraisal of the market value of 100% equity interest in Great Ascent Limited as at 31 December 2017 is based. The Valuation is regarded as a profit forecast under rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

We have reviewed the bases and assumptions upon which the Valuation has been made, and have discussed with you and the Valuer the information and documents provided by you and/or the Valuer, which formed the bases and assumptions of the Valuation. We have also considered, and relied upon, the report addressed to the board of directors of the Company from KPMG, the auditors of the Company, (the “**Report from KPMG**”) as set out in Appendix III to the circular of the Company dated 10 October 2018 regarding to the discloseable and connected transactions in relation to the acquisitions of 40% equity interest in each of Great Ascent Limited and Jiangsu Yiersan Real Estate Development Co., Limited. As set out in the Report from KPMG, the calculations of the Valuation have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the directors of the Company as set out in the Valuation.

On the basis of the foregoing, we are satisfied that the bases and assumptions in arriving at the Valuation for which you as directors of the Company are solely responsible, have been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Pelican Financial Limited

Charles Li
Director

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Capacity	Number of Shares/underlying shares of the Company held	Approximate percentage of shareholding in the Company
Mr. Shi Baodong	Interest in a controlled corporation	10,070,760,661 (Note 1)	78.99%
	Beneficial owner	130,239,145	1.02%
		312,729,948 (Note 2)	2.45%
Mr. Dong Xiaojie	Beneficial owner	2,014,285	0.02%
Mr. Law Wang Chak, Waltery (retired with effect from 25 June 2018)	Beneficial owner	420,000	0.003%

Notes:

- (1) As at the Latest Practicable Date, Mr. Shi Baodong held 100% equity interest in Orient Victory Real Estate Group Holdings Limited which in turn held 10,070,760,661 Shares. The interests include the holding of (i) 8,008,042,880 Shares, (ii) the perpetual convertible securities issued in October 2016 (the “**2016 October PCS**”) (convertible into 2,062,717,781 Shares as at the Latest Practicable Date) and the holders entitles to have a distribution of 6% per annum payable semi-annually by the Company.

- (2) Reference is made to the Company's announcement dated 30 March 2016 and also the Company's circular dated 29 January 2016 in relation to the issue of the perpetual convertible securities, the investment agreement of the Company dated 27 June 2015 as amended by a supplemental agreement dated 8 January 2016 (the "**Investment Agreement**") and Mr. Shi's personal guarantee in relation to the obligations of the Company, among other things, relating to the PCS. Mr. Shi would be interested in 312,729,948 Shares of the Company upon the exercise of the two put options in full as contemplated under the Investment Agreement by Outstanding Global Holdings Limited and Chance Talent Management Limited respectively.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of shareholding
Orient Victory Real Estate Group Holdings Limited	Beneficial Interest (Note 1)	10,070,760,661	78.99%

Note:

- (1) As at the Latest Practicable Date, Mr. Shi, an executive Director, held 100% equity interest in Orient Victory Real Estate Group Holdings Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (who were not Directors nor chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, which is not determinable by the relevant employing member of the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

6. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date,

- (a) none of the Directors had any interest, either direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up); and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

7. EXPERT'S QUALIFICATION AND CONSENT

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

Name	Qualifications
Pelican Financial Limited	a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders
Flagship Appraisals and Consulting Limited	Independent professional valuer
AVISTA Valuation Advisory Limited	Independent property valuer
KPMG	Certified Public Accountants

As at the Latest Practicable Date, all the experts above (i) did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) did not have any direct or indirect interest in any assets which have been, since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of the experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

8. MATERIAL ADVERSE CHANGE

The Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Group were made up, and up to the Latest Practicable Date.

9. MISCELLANEOUS

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours from 9:30 a.m. to 6:00 p.m. on any weekday except public holidays at the principal place of business of the Company in Hong Kong at 2603, 26/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Great Ascent Agreement;
- (b) the Yiersan Agreement; and
- (c) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Orient Victory Travel Group Company Limited (the “**Company**”) will be held at conference room of R3 & R4, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 30 October 2018 at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution, which will be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the conditional equity transfer agreement dated 22 January 2018 entered into between the Company, Orient Victory Group HK Holdings Limited and Heng Sheng Xin Ye (Beijing) Asset Management Co., Ltd.* (恆晟鑫業(北京)資產管理有限公司) as purchasers and Mr. Li Jun Bang as vendor as amended and supplemented by the supplemental agreement date 6 June 2018 (the “**Great Ascent Agreement**”) in relation to the acquisition of 40% of the issued share capital of Great Ascent Limited (“**Great Ascent**”) by the Company subject to the terms and conditions as set out therein and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one of the directors or company secretary of the Company be and is hereby authorised to do all such acts and things he/she may in his/her discretion consider necessary, desirable or expedient, for the purpose of or in connection with the implementation of the Great Ascent Agreement and the transactions contemplated thereunder, including but not limited to the execute all such documents under the seal of the Company, where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the completion of the acquisitions of 40% of the equity interest in Great Ascent by the Company.”

2. “**THAT:**

- (a) the conditional equity transfer agreement dated 22 January 2018 entered into between the Company, Orient Victory Property Development Group Co., Ltd.* (東勝房地產開發集團有限公司) and Heng Sheng Xin Ye (Beijing) Asset Management Co., Ltd.* (恆晟鑫業(北京)資產管理有限公司) as purchasers and Jiangsu Yinmao Holding (Group) Co., Ltd.* (江蘇銀茂控股(集團)有限公司) and Mr. Nie Jiangqiang as vendors as amended and supplemented by the supplemental agreement date 6 June 2018 (the “**Yiersan Agreement**”) in relation to the acquisition of 40% of the

NOTICE OF EXTRAORDINARY GENERAL MEETING

issued share capital of Jiangsu Yiersan Real Estate Development Co., Ltd.* (江蘇一二三房地產開發有限公司) (“Yiersan”) by the Company subject to the terms and conditions as set out therein and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

- (b) any one of the directors or company secretary of the Company be and is hereby authorised to do all such acts and things he/she may in his/her discretion consider necessary, desirable or expedient, for the purpose of or in connection with the implementation of the Yiersan Agreement and the transactions contemplated thereunder, including but not limited to the execute all such documents under the seal of the Company, where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the completion of the acquisitions of 40% of the equity interest in Yiersan by the Company.”

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

Hong Kong, 10 October 2018

Notes:

- (1) A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies (if holding two or more shares) to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- (2) In order to be valid, a proxy form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude a member from attending and voting in person at the EGM or any adjournment thereof (as the case may be), should he/she so wishes and in such event, the form of proxy shall be deemed to be revoked.
- (3) The record date for the purpose of determining eligibility of the members of the Company to attend and vote at the EGM is Wednesday, 24 October 2018. In order to qualify for attending and voting at the EGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 24 October 2018.
- (4) Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the EGM or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (5) In case of joint shareholdings, the vote of the senior joint Shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.

As at the date of this notice, the Board of the Company 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. Sui Feng-jih.