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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 TRANSACTION IN RELATION TO DISPOSAL OF 85% INTEREST IN KING LINK**

### **DISPOSAL**

The Board wishes to inform its shareholders that the Company has entered into the Sale and Purchase Agreement with South China on 23 July 2018, pursuant to which the Company agreed to transfer 85% interest in King Link to South China at a total consideration of HK\$4.80 million. Upon completion of the Disposal, King Link will cease to be a subsidiary of the Company and will be held as to 85% by South China. The remaining 15% interest in King Link will continue to be held, indirectly, by Mr. Ng.

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios of the Disposal exceed 5% but are less than 25%, the Disposal is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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## **The Sale and Purchase Agreement**

Principal terms of the Sale and Purchase Agreement are summarized below:

**Date:** 23 July 2018

**Parties:** (1) The Company as vendor  
(2) South China as purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, South China and its connected person are third parties independent of and not connected with the Company and its connected persons.

**Subject Matter:** The Company will transfer 85% interest in King Link to South China (or its nominee). Upon completion of the Disposal, King Link will cease to be a subsidiary of the Company and will be held as to 85% by South China. The remaining 15% interest in King Link will continue to be held, indirectly, by Mr. Ng.

**Consideration:** The total consideration of the Disposal is HK\$4.80 million, which was determined after arm's length negotiation between both parties, by reference to the market value of the 85% interests in King Link as at 30 April 2018 amounting to HK\$4.80 million as arrived at in the valuation by an independent valuer using the market approach.

The consideration is to be settled in full on date of completion of the Disposal by a cashier order drawn on a licence bank in Hong Kong (or such other settlement method as mutually agreed by the parties thereto).

**Conditions Precedent** Completion of the Disposal is conditional upon:

- (a) the board of directors of South China having approved the execution of the Sale and Purchase Agreement and the transaction(s) contemplated thereunder;
- (b) the shareholders at a general meeting of South China (where applicable pursuant to the Listing Rules and any other relevant laws and regulations) having approved the execution of the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (c) South China being satisfied with the results of due diligence review to be conducted on all respects of King Link and the Subsidiary, including but not limited to financial, legal and compliance and operational;

- (d) the respective board of directors of the Company and King Link having approved the execution of the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (e) the shareholders at a general meeting of the Company (where applicable pursuant to the Listing Rules and any other relevant laws and regulations) having approved the execution of the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (f) the Company has obtained all authorizations, approvals, consents, permits, clearance or waivers from or filing of any kind with any government or regulatory authority necessary to be obtained under the applicable laws, rules or regulations (including but not limited to the Listing Rules) in connection with the entering into and performance of the Sale and Purchase Agreement in each jurisdiction where each of the Company, King Link and the Subsidiary is subject to;
- (g) the Company has complied with all applicable laws, rules and regulations including the Listing Rules, and there is no material adverse comment received by the Company from regulatory authorities including the Stock Exchange, in relation to the Disposal; and
- (h) the Sale Shares must be free from any and all encumbrances.

South China shall use its best endeavours to fulfil or procure to fulfil the conditions (a) to (c) above and the Company shall use its best endeavours to fulfil or procure to fulfil the conditions (d) to (h) above. None of the conditions may be waived unless otherwise mutually agreed in writing by the parties thereto.

If any of the above conditions shall not have been fulfilled by 5:00 p.m. (Hong Kong time) on the date falling sixty (60) days immediately following the date of the Sale and Purchase Agreement or such later date as the parties thereto may agree, the Sale and Purchase Agreement shall lapse automatically and be of no further effect and no party to the Sale and Purchase Agreement shall have any claim against or liability to the other party, save and except any antecedent breaches of the terms thereof.

#### **Pre-Completion Undertaking**

The Company covenants with South China that it shall not further dispose of any interest in or create any encumbrances over the Sale Shares from the date of the Sale and Purchase Agreement and up to the completion of the Disposal.

The Company covenants with South China that, from the date of the Sale and Purchase Agreement and up to completion of the Disposal, except for transactions contemplated under the Sale and Purchase Agreement, or acts done in the ordinary and usual course of business or day-to-day operations, or anything done with the prior written consent of South China, it shall (insofar as it is within its power to do so) procure that King Ling and the Subsidiary shall:

- (a) use its reasonable endeavours to preserve the goodwill of the Business; and
- (b) use its reasonable endeavours to maintain in full force and effect all existing insurance policies on substantially similar material terms with a level of cover similar to that in force at the date of the Sale and Purchase Agreement and not to do, or omit to do, anything which is likely to make any of such insurance policies void or voidable, result in any claim not being paid out by the insurers or any material increase in the premium payable under such policies.
- (c) make any claim to which it is entitled under the insurance policies in respect of the Business without unreasonable delay and in accordance with the terms of such policies and notify South China of any such claim without unreasonable delay.

## **Completion**

Completion of the Disposal shall take place on the first Business Day after the conditions precedent are fulfilled (or such later date as the parties thereto may agree in writing prior to completion);

## **INFORMATION OF KING LINK AND THE SUBSIDIARY**

King Link is an investment holding company incorporated in Hong Kong which holds of approximately 65.5% equity interest in the Subsidiary (a company incorporated in the PRC). As at the date of this announcement, no other investment is held by King Link and King Link is an indirect non-wholly owned subsidiary of the Company owned as to 85% by the Group and 15% by Mr. Ng prior to completion of the Disposal.

As at the date of this announcement, the Subsidiary is engaging in the distribution and sale of jewellery products such as precious stones, jade, gold and silver through flagship store and counters of large department stores in Nanjing, the PRC, which is owned as to approximately 65.5% by King Link and 34.5% by an independent third party, 南京寶慶首飾總公司, as at the date of this announcement.

Set out below is the consolidated financial information of King Link for the financial years ended 31 December 2016 and 2017 which is derived from the audited consolidated financial statements of the Group:

	<b>Year ended 31 December 2016</b> <i>HK\$'000</i>	<b>Year ended 31 December 2017</b> <i>HK\$'000</i>
<b>Loss before tax</b>	<u>2,217</u>	<u>2,985</u>
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The consolidated net assets of the King Link attributable to the Company as at 30 April 2018 amounted to HK\$2.98 million.

## **INFORMATION OF THE GROUP**

The Group is strive to being 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 (including travel related property development and investment). Besides, it also engaged in trading and retail of jewellery products (prior to the Disposal), provision of financial services and other investment holding business.

## **INFORMATION OF SOUTH CHINA**

South China is an investment holding company whose shares are listed on the Main Board of the Stock Exchange (stock code 619). The principal activities of the subsidiaries of South China consist of securities, commodities, bullion and forex broking and trading, margin financing and money lending, provision of corporate advisory and underwriting services, asset and wealth management, property investment, media publications and financial public relation services and investment holding.

## **FINANCIAL IMPACT OF THE DISPOSAL**

Upon completion of the Disposal, the Group will cease to hold any interest in King Link and the Subsidiary and as such, each of King Link and the Subsidiary will no longer be included in the scope of consolidated financial statements of the Company. The Group estimates to record an investment gain of RMB1.82 million (before tax and based on consolidated financial statements as at 30 April 2018) upon the completion of the Disposal (the actual amount of which is subject to the audit results).

## REASONS FOR AND BENEFITS OF THE DISPOSAL

As disclosed in the Annual Report of the Group for the year ended 31 December 2017, during the period from October 2016 to May 2017, blocked fences were set up along the road in front of the flagship store in Nanjing by the local municipal government and as a result, there was a drop in number of customers. For the year ended 31 December 2017, the Subsidiary recorded a decrease in revenue to approximately HK\$26.54 million and a significant increase in operating loss to approximately HK\$2.58 million.

Although the Group has tried various ways to improve the performance of the Subsidiary, the Subsidiary still suffered loss. As the Subsidiary is not a core business and is not expected to be a meaningful driver of or contributor to the operating results of the Group, the Board is of the view that through the Disposal, the Company will be able to further optimise and adjust its asset structure to increase the liquidity of assets, improve the efficiency of the use of the Company's assets and gain certain benefits therefrom. As such, the Board considers that the Disposal is in the interest of the Company and its shareholders as a whole.

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios of the Disposal exceed 5% but are less than 25%, the Disposal is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Directors (including independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement and the Disposal contemplated thereunder are entered into on normal commercial terms, and such terms (including the consideration) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## DEFINITIONS

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

“Board”	the board of Directors
“Business”	distribution and sale of jewellery products
“Business Day”	a day (other than Saturday and Sundays and days on which a tropical cyclone warning No.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking business
“Company”	Orient Victory Travel Group Limited (東勝旅遊集團有限公司), a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company

“Disposal”	the disposal of 85 ordinary shares in King Link, representing 85% of the entire issued share capital of King Link
“Group”	the Company and its subsidiaries
“King Link”	King Link Investments Limited, a company incorporated in Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ng”	Mr. Ng Hung Sang, a substantial shareholder, an executive director and the chairman of South China
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Company as vendor and South China as purchaser on 23 July 2018 in relation to the Disposal
“Sale Shares”	85 fully paid-up ordinary shares of the King Link, representing 85% issued share capital of King Link
“Shareholder(s)”	holder(s) of the share(s) of the Company from time to time
“South China”	South China Financial Holdings Limited, a company incorporated in Hong Kong, whose shares are listed on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	南京南華寶慶珠寶首飾有限公司, a company incorporated in PRC
“%”	per cent

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

Hong Kong, 23 July 2018

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