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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)**

## **CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 40% EQUITY INTEREST AND SHAREHOLDERS' LOAN IN DAKUN ZHIFANG**

### **THE ACQUISITION**

On 12 June 2018, Zhangjiakou Hua Yu, Existing Equity Holder 1 and Existing Equity Holder 2 entered into the Share Transfer Agreement in relation to the transfer of equity interest and shareholders' loan in Dakun Zhifang. As at the date of this announcement, Dakun Zhifang was owned as to 40% by Zhangjiakou Dongsheng, 31% by Existing Equity Holder 1, 10% by Existing Equity Holder 2 and 19% by Heng Sheng. According to the Share Transfer Agreement, Zhangjiakou Hua Yu shall pay Existing Equity Holder 1 and Existing Equity Holder 2 RMB40,900,000 (equivalent to approximately HK\$50,213,000) in total for the Sale Equity and the Sale Loan. Upon completion of the Acquisition, Dakun Zhifang will become an associate of the Company.

## LISTING RULES IMPLICATIONS

As Zhangjiakou Dongsheng is indirectly wholly-owned by Mr. Shi, the chairman, chief executive officer and an executive Director of the Company, Zhangjiakou Dongsheng is an associate of Mr. Shi and thus is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 0.1% but are all less than 5%, the Acquisition contemplated under the Share Transfer Agreement and the transactions contemplated thereunder are subject to reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from circular and independent Shareholders' approval requirements under Rule 14A.76(2)(a) of the Listing Rules.

**Shareholders and potential investors should note that completion of the Acquisition is subject to the fulfilment of the Conditions Precedent and therefore the Acquisition may or may not occur. As the Acquisition may or may not proceed to completion, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

The Board announces that on 12 June 2018, Zhangjiakou Hua Yu, Existing Equity Holder 1 and Existing Equity Holder 2 entered into the Share Transfer Agreement in relation to the transfer of equity interest and shareholders' loan in Dakun Zhifang. As at the date of this announcement, Dakun Zhifang was owned as to 40% by Zhangjiakou Dongsheng, 31% by Existing Equity Holder 1, 10% by Existing Equity Holder 2 and 19% by Heng Sheng. According to the Share Transfer Agreement, Zhangjiakou Hua Yu shall pay Existing Equity Holder 1 and Existing Equity Holder 2 RMB40,900,000 (equivalent to approximately HK\$50,213,000) in total for the Sale Equity and the Sale Loan. Upon completion of the Acquisition, Dakun Zhifang will become an associate of the Company.

## SHARE TRANSFER AGREEMENT

Principal terms of the Share Transfer Agreement are summarized below:

<b>Date:</b>	12 June 2018
<b>Parties:</b>	Transferee (1) Zhangjiakou Hua Yu  Transferor (1) Existing Equity Holder 1 (2) Existing Equity Holder 2
<b>Equity Interest to be transferred:</b>	40% of the equity interest of Dakun Zhifang
<b>Shareholder loan to be transferred:</b>	40% of the shareholders' loan of Dakun Zhifang

**Consideration:** The total consideration for the transfer of the 40% equity interest in Dakun Zhifang is RMB18,000,000 (equivalent to approximately HK\$22,099,000); RMB13,608,000 (equivalent to approximately HK\$16,707,000) will be paid to Existing Equity Holder 1 for 30.24% equity interest in Dakun Zhifang and RMB4,392,000 (equivalent to approximately HK\$5,392,000) will be paid to Existing Equity Holder 2 for 9.76% equity interest in Dakun Zhifang.

As at the date of this announcement, Dakun Zhifang is indebted to Existing Equity Holder 1 and Existing Equity Holder 2 in the aggregate sum of approximately RMB57,000,000 (equivalent to approximately HK\$69,979,000). The total consideration for the transfer of the 40% shareholders' loan in Dakun Zhifang is RMB22,900,000 (equivalent to approximately HK\$28,114,000).

**Payment Term:** The total consideration shall be satisfied by cash on the date of completion.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of Existing Equity Holder 1, Existing Equity Holder 2, Heng Sheng and its ultimate beneficial owner(s) are third parties independent of the Company and its respective connected persons.

### **Basis for Determination of the Consideration**

The consideration was determined after arm's length negotiations between the parties to the Share Transfer Agreement after taking into consideration various factors, including but not limited to (i) the valuation of the net assets of Dakun Zhifang; and (ii) the development potential of Dakun Zhifang.

### **Conditions Precedent**

Completion of the Acquisition is subject to the following conditions:

- (a) all such documents required for the transfer of the equity interest and shareholders' loan of Dakun Zhifang have been obtained, including but not limited to resolutions of the shareholder(s) of Dakun Zhifang consenting to the Acquisition and the approval of Zhangjiakou Dongsheng and Heng Sheng to waive their pre-emptive rights;
- (b) the relevant departments of the local government have handled the changes of the business registration of Dakun Zhifang in relation to the Acquisition;
- (c) all such necessary consent as required by law and the Listing Rules, if required, having been obtained in respect of the Share Transfer Agreement and the transactions contemplated thereunder; and

- (d) Existing Equity Holder 1 and Existing Equity Holder 2 shall deliver the management account of Dakun Zhifang as at the date of completion to Zhangjiakou Hua Yu and Zhangjiakou Hua Yu is satisfied with the financial condition of Dakun Zhifang.

So far as the Directors are aware, save for the waiver of the pre-emptive rights in condition (a), no other consent is required for the Acquisition.

### **Termination**

The Share Transfer Agreement may be terminated if:

- (a) all parties agree in writing; or
- (b) Dakun Zhifang fails to complete the registration of change in relation to the Acquisition within 10 days from the payment of consideration of the Share Transfer Agreement by Zhangjiakou Hua Yu.

### **INFORMATION OF DAKUN ZHIFANG**

Dakun Zhifang is a company established in the PRC on 11 May 2016 with the registered and paid-in capital of RMB5,000,000 (equivalent to approximately HK\$6,138,500). As at the date of this announcement, Dakun Zhifang is owned as to 40%, 19%, 31% and 10% by Zhangjiakou Dongsheng, Heng Sheng, Existing Equity Holder 1 and Existing Equity Holder 2 respectively.

Dakun Zhifang 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. Dakun Zhifang's temporary qualification as a real estate development company in the PRC will be valid until 17 December 2018.

The principal asset of Dakun Zhifang is the land use right of Phase 1 Land which book value is approximately RMB30,200,000 (equivalent to approximately HK\$37,077,000). Dakun Zhifang is in the process of acquiring Phase 2 Land, the resumption compensation of approximately RMB14,564,820 (equivalent to approximately HK\$17,881,000) has already been paid to the farmers who have lost their farm land for the acquisition of part of the Phase 2 Land. Dakun Zhifang further plans to provide ancillary facilities for tourism in Phase 3 Land; however, no resumption compensation has been made yet.

According to the valuation report on Dakun Zhifang prepared by an independent valuer, the aggregate market value of the Sale Equity and the Sale Loan is RMB40,900,000 (equivalent to approximately HK\$50,213,000), which consists of fair net asset value of RMB18,000,000 (equivalent to approximately HK\$22,099,000) in respect of the 40% equity interests in Dakun Zhifang and fair value of RMB22,900,000 (equivalent to approximately HK\$28,114,000) in respect of the Sale Loan.

Set out below is a summary of key financial information of Dakun Zhifang extracted from its unaudited financial information for the two years ended 31 December 2017 and 2016.

	<b>For the year ended 31 December 2017 (unaudited) RMB</b>	<b>From 11 May 2016 to 31 December 2016 (unaudited) RMB</b>
Net loss before taxation	<b>RMB321,500 (equivalent to approximately HK\$395,000)</b>	<b>RMB21,800 (equivalent to approximately HK\$26,800)</b>

Upon completion, Dakun Zhifang will be owned as to 40%, 40%, 19%, 0.76% and 0.24% by Zhangjiakou Hua Yu, Zhangjiakou Dongsheng, Heng Sheng, Existing Equity Holder 1 and Existing Equity Holder 2 respectively; and the registered capital of Dakun Zhifang is RMB5,000,000 (equivalent to approximately HK\$6,138,500).

## **INFORMATION OF THE PARTIES**

### **Existing Equity Holder 1 and Existing Equity Holder 2**

Existing Equity Holder 1 and Existing Equity Holder 2 are Mr. Ji Hai (冀海) and Ms. Ji Ling (冀玲) respectively, Independent Third Parties, holding 31% and 10% of the registered capital of Dakun Zhifang respectively before completion of the Acquisition.

### **Heng Sheng**

Heng Sheng is a company established in the PRC. Heng Sheng is primarily involved in the 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.

### **Zhangjiakou Hua Yu**

Zhangjiakou Hua Yu is a company established in the PRC and an indirect wholly-owned subsidiary of the Company. Zhangjiakou Hua Yu is primarily involved in the tourism and tourism related business.

### **Zhangjiakou Dongsheng**

Zhangjiakou Dongsheng is a company established in the PRC and a wholly-owned subsidiary of OVPD. Zhangjiakou Dongsheng is primarily involved in the property development and sales business.

## **REASONS FOR THE ACQUISITION**

The Group is principally engaged in sale of air tickets and other travel-related services, trading and retail of jewellery products, provision of financial services and other investment holding business.

The Company has been exploring opportunities to expand its travel-related business in order to add momentum to the growth of the Group. In view of the development of residential property and tourism facilities in the land interest of Dakun Zhifang, the Acquisition represents good investment opportunities for the Group to expand its travel business and drag in the real estate sector and thereby broaden the business scope and increase the profitability of the Group, which is in line with the Group's long-term strategy.

In addition, Zhangjiakou Dongsheng is directly wholly-owned by OVPD, of which OVPD is principally engaged in real estate development in the PRC and OVPD is indirectly owned by OV(HK), Mr. Shi Baodong (“**Mr. Shi**”), the chairman, chief executive officer and an executive Director of the Company, is also the director and ultimate shareholder of OV(HK). The strategic cooperation with Zhangjiakou Dongsheng in the Acquisition allows the Company to leverage on the business network and expertise of OVPD to gain a firm foothold in real estate industry in the PRC. The Group is expected to be benefited from the Acquisition.

The Directors (including the independent non-executive Directors) consider that the terms of the Share Transfer Agreement are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Since Mr. Shi is considered to have a material interest in the transactions contemplated under the Share Transfer Agreement and is required to abstain, and have abstained, from voting on the relevant Board resolutions to approve the Share Transfer Agreement. Save for the above, no Director has a material interest in the transactions contemplated under the Share Transfer Agreement and none of them is required to abstain or has abstained from, voting on the relevant Board resolutions to approve the Share Transfer Agreement.

## **LISTING RULES IMPLICATIONS**

As Zhangjiakou Dongsheng is indirectly wholly-owned by Mr. Shi, the chairman, chief executive officer and an executive Director of the Company, Zhangjiakou Dongsheng is an associate of Mr. Shi and thus is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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## DEFINITIONS

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

“Acquisition”	the proposed acquisition by Zhangjiakou Hua Yu of the Sale Equity and the Sale Loan from Existing Equity Holder 1 and Existing Equity Holder 2 subject to the terms and conditions of the Share Transfer Agreement
“Board”	the board of Directors
“Company”	Orient Victory Travel Group Company Limited (東勝旅遊集團有限公司), a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Conditions Precedent”	the conditions precedent to the completion of the Share Transfer Agreement
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Dakun Zhifang”	Zhangjiakou Dakun Zhifang Real Estate Development Co., Ltd.* (張家口大坤直方房地產開發有限公司), a company established in the PRC
“Director(s)”	the directors of the Company
“Existing Equity Holder 1”	Mr. Ji Hai (冀海), a merchant, an Independent Third Party of the Company
“Existing Equity Holder 2”	Ms. Ji Ling (冀玲), a merchant, an Independent Third Party of the Company
“Group”	the Company and its subsidiaries
“Heng Sheng”	Heng Sheng Xin Ye (Beijing) Asset Management Company Limited* (恆晟鑫業(北京)資產管理有限公司), a company established in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	a person or persons, or a company or companies which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is not or are not connected person(s) within the meaning ascribed under the Listing Rules



“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 Baodong is the director and ultimate shareholder 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 PRC and indirectly owned by OV(HK)
“Phase 1 Land”	a piece of 77 mu of land situate at Huangtuzui Village, Xi Wan Zi Town, Chongli District in relation to the land use right granted under State-owned Construction Land Use Certificate Chongguoyong No. 201614(2016)* (崇國用 (2016第201614號)《國有建設用地使用證》)
“Phase 2 Land”	a piece of 133 mu of land situate at the west of the Phase 1 Land
“Phase 3 Land”	a piece of 172 mu of land situate at the south hillside of the Phase 1 Land
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	40% of registered capital of Dakun Zhifang
“Sale Loan”	40% of shareholders’ loan in Dakun Zhifang
“Share Transfer Agreement”	the conditional share transfer agreement dated 12 June 2018 entered into by Zhangjiakou Hua Yu and Existing Equity Holder 1 and Existing Equity Holder 2 in relation to the Acquisition
“Shareholder(s)”	holder(s) of the share(s) of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhangjiakou Dongsheng”	Dongsheng Real Estate Development (Zhangjiakou) Co., Ltd.* (東勝房地產開發集團張家口有限公司), a company established in the PRC and a wholly-owned subsidiary of OVPD



“Zhangjiakou Hua Yu”

Zhangjiakou Chongliqiu Hua Yu Travel Co., Ltd.\* (張家口崇禮區華譽旅遊開發有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company

“%”

per cent

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

Hong Kong, 12 June 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. Law Wang Chak, Waltery.*

*For illustrative purpose of this announcement and unless otherwise specified, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.2277.*

\* For identification purpose only