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)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017

The Board hereby announces the consolidated results of the Group for the Year. A summary of the final results is set forth below:

- Revenue was approximately HK$264.57 million for the Year, representing an increase of approximately 141.8% as compared to the last financial year of approximately HK$109.42 million. The increase was mainly attributable to the fact that the sale of air tickets was recognised on a gross basis instead of net basis throughout the Year.

- A loss of approximately HK$56.03 million was recorded for the Year (2016: approximately HK$194.07 million) representing a decrease of approximately 71.1%. The significant decrease in loss was primarily attributable to:

  (i) the significant decrease in the share of loss of an associate of the Group from HK$148.37 million for the year ended 31 December 2016 to HK$13.52 million for the Year due to the fact that no asset impairment was recorded by the associate for the Year (2016: HK$141.91 million);

  (ii) the absence of the net amortised finance charge of HK$12.06 million for the interest free loans incurred in the Year; and

  (iii) the decrease in the share of loss of an associate and amortised finance charge were partially offset by an increase of administrative expenses.

- Basic and diluted loss per share attributable to ordinary equity shareholders of the Company for the Year was HK0.46 cents, as compared with basic and diluted loss per share attributable to equity shareholders of the Company of HK1.64 cents (restated) for the year ended 31 December 2016.

- The Board does not recommend payment of any final dividend for the Year.

The board ("**Board**") of directors (the "**Director(s)**") of Orient Victory Travel Group Company Limited (formerly known as Orient Victory China Holdings Limited) (the "**Company**" together with its subsidiaries the "**Group**") hereby announces the consolidated results of the Group for the year ended 31 December 2017 (the "**Year**"), together with comparative figures for the last financial year as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
REVENUE	*3*	**264,570**	109,417
Cost of sales		**(239,735)**	(82,150)
Gross profit		**24,835**	27,267
Other income		**4,373**	5,089
Selling expenses		**(5,872)**	(6,389)
Administrative expenses		**(67,738)**	(56,756)
Share of loss of an associate		**(13,517)**	(148,374)
Loss from operations		**(57,919)**	(179,163)
Finance income/(costs)		**1,924**	(14,902)
LOSS BEFORE TAX	*4*	**(55,995)**	(194,065)
Income tax	*5*	**(36)**	–
LOSS FOR THE YEAR		**(56,031)**	(194,065)
Attributable to:			
Equity owners of the Company		**(46,846)**	(191,816)
Non-controlling interests		**(9,185)**	(2,249)
LOSS FOR THE YEAR		**(56,031)**	(194,065)
			(Restated)
LOSS PER SHARE			
Basic and diluted	*6*	**(HK0.46 cents)**	(HK1.64 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(56,031)**	(194,065)
OTHER COMPREHENSIVE INCOME FOR THE YEAR (AFTER TAX)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**30,273**	(24,505)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(25,758)**	(218,570)
Attributable to:		
Equity owners of the Company	**(16,872)**	(216,078)
Non-controlling interests	**(8,886)**	(2,492)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(25,758)**	(218,570)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,020**	1,513
Interest in an associate		**399,271**	383,519
Intangible assets		**16,388**	9,011
		417,679	394,043
CURRENT ASSETS			
Inventories		**63,791**	16,010
Trade receivables	7	**28,159**	25,804
Prepayments, deposits and other receivables		**15,249**	19,301
Restricted bank deposits		**43,448**	33,393
Cash and cash equivalents		**357,696**	334,627
		508,343	429,135
CURRENT LIABILITIES			
Trade payables	8	**33,391**	28,839
Other payables and accruals		**22,655**	40,882
Short-term borrowings	9	**8,948**	9,617
		64,994	79,338
NET CURRENT ASSETS		**443,349**	349,797
TOTAL ASSETS LESS CURRENT LIABILITIES		**861,028**	743,840
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**2,704**	1,487
NET ASSETS		**858,324**	742,353
CAPITAL AND RESERVES			
Share capital	10	**63,745**	60,235
Perpetual convertible securities		**396,402**	396,556
Reserves		**391,625**	281,746
Total equity attributable to equity owners of the Company		**851,772**	738,537
Non-controlling interests		**6,552**	3,816
TOTAL EQUITY		**858,324**	742,353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is an exempted limited company incorporated in the Cayman Islands. The registered office of the Company is located at P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance (the "**Companies Ordinance**"). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Group and the Group's interest in an associate.

These financial statements are presented in Hong Kong Dollars ("**HK$**") and all values are rounded to the nearest thousand ("**HK$'000**") except when otherwise indicated.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been made to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative,* which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discount, the value of services rendered and commission income during the Year.

The amount of each significant category of revenue is as follows:

	2017	2016
	HK$'000	*HK$'000*
Sale of air tickets	**226,007**	61,301
Commission and service income from travel related and other services	**10,282**	17,032
Trading and retail of jewellery	**23,926**	26,350
Commission income from sale of jewellery	**2,614**	3,915
Financial services	**1,741**	819
	264,570	109,417

The Group mainly engages in retail business, and the Directors of the Company consider that the Group's customer base is diversified and has no customer with whom transactions have exceeded 10% of the Group's revenue for the years ended 31 December 2017 and 2016.

(b) Segment reporting

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

– The travel related and other services segment, which comprises the sale of air tickets and other travel related services principally to corporate clients;

– The trading and retail of jewellery segment, which involves the distribution and sale of jewellery products;

– The financial services segment, which mainly involves the provision of advisory on corporate finance, advisory on securities and asset management services;

– The property development and investment segment, which involves the development of visitor accommodation for operating purpose and properties for sale; and

– The investment holding segment, which mainly involves equity investment activities.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that finance costs are excluded from such measurement.

Segment assets and liabilities include all assets and liabilities with the exception of cash and cash equivalents and restricted bank deposits which are managed centrally.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below.

	Travel related and other services		Trading and retail of jewellery		Financial services		Property development and investment		Investment holding		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue												
Revenue from external customers	**236,289**	78,333	**26,540**	30,265	**1,741**	819	**–**	–	**–**	–	**264,570**	109,417
Segment results	**(2,142)**	(3,817)	**(2,580)**	(1,127)	**(2,796)**	(608)	**(82)**	–	**(50,319)**	(173,611)	**(57,919)**	(179,163)
Reconciliation:												
Finance income/(costs)											**1,924**	(14,902)
Loss before tax											**(55,995)**	(194,065)
Segment assets	**28,341**	25,167	**16,148**	18,896	**17,132**	9,723	**50,677**	–	**412,580**	401,372	**524,878**	455,158
Reconciliation:												
Corporate and other unallocated assets											**401,144**	368,020
Total assets											**926,022**	823,178
Segment and total liabilities	**40,467**	35,728	**11,845**	11,882	**3,380**	3,437	**126**	–	**11,880**	29,778	**67,698**	80,825
Other segment information:												
Share of loss of an associate	**–**	–	**–**	–	**–**	–	**–**	–	**(13,517)**	(148,374)	**(13,517)**	(148,374)
Loss on disposal of property, plant and equipment, net	**–**	–	**(24)**	(54)	**(5)**	–	**–**	–	**–**	–	**(29)**	(54)
Depreciation	**(170)**	(57)	**(62)**	(47)	**(1)**	(3)	**–**	–	**(402)**	(163)	**(635)**	(270)
Capital expenditure	**(877)**	(41)	**(117)**	(53)	**–**	–	**–**	–	**(145)**	(1,206)	**(1,139)**	(1,300)

(ii) ***Geographical information***

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's assets. The geographical location of customers is based on the location at which the goods and services were sold or provided. The geographical location of the specified assets is based on the physical location of the assets or the location of the operations, in the case of property, plant and equipment, intangible assets arise from licenses and current assets, and the location of operations, in the case of interests in an associate except for the associate's intangible assets in distribution network which is separately allocated based on the location receiving the substantial benefits.

(i) Revenue from external customers

	2017	2016
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**238,030**	79,152
Mainland China	**26,540**	30,265
	264,570	109,417

(ii) Total assets

	2017			2016		
	Non-current assets	**Current assets**	**Total assets**	Non-current assets	Current assets	Total assets
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong (place of domicile)	**384,651**	**409,255**	**793,906**	350,429	396,969	747,398
Mainland China	**33,023**	**28,368**	**61,391**	43,614	32,166	75,780
New Zealand	**5**	**70,720**	**70,725**	–	–	–
	417,679	**508,343**	**926,022**	394,043	429,135	823,178

4. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

(a) Finance (income)/costs

	2017	2016
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**624**	848
Net finance charges in connection with interest-free loans from a related party and a third party	**–**	12,061
Net foreign exchange (gain)/loss	**(2,548)**	1,993
	(1,924)	14,902

(b) Staff costs (including Directors' emoluments)

	2017	2016
	HK$'000	HK$'000
Wages, salaries and other benefits	**30,285**	29,390
Pension scheme contributions	**1,226**	1,250
	31,511	30,640

(c) Other items

	2017	2016
	HK$'000	*HK$'000*
Cost of inventories sold	**239,735**	82,150
Depreciation	**635**	270
(Reversal of impairment losses)/impairment losses on trade receivables	**(795)**	828
Minimum lease payments under operating leases	**7,432**	6,754
Auditors' remuneration	**2,256**	2,213
Loss on disposal of property, plant and equipment, net	**29**	54

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

	2017	2016
	HK$'000	*HK$'000*
Current tax – Overseas		
Provision for the year	**36**	–

(i) Provision for Hong Kong Profit Tax for 2017 is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year. The Company and the subsidiaries of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profit Tax for 2017 (2016: Nil).

(ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(iii) Pursuant to the rules and regulations of the People's Republic of China (the "**PRC**"), the Group's subsidiaries established in Mainland China are subject to PRC Corporate Income Tax at the statutory rate of 25% during the Year (2016: 25%), except for a subsidiary of the Group which is a small-scale enterprise and is subject to income tax rate at 20% (2016: 20%).

(iv) Pursuant to the rules and regulations of the New Zealand, the Group's subsidiaries established in the New Zealand are subject to the Business Income Tax at the statutory rate of 28% during the year (2016: not applicable).

6. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company and the weighted average ordinary shares in issue during the year, calculated as follows:

(i) Loss for the purpose of calculating basic loss per share

	2017	2016
	HK$'000	*HK$'000*
Loss attribute to the equity owners of the Company	**46,846**	191,816
Distribution paid to the holders of perpetual convertible securities	**5,100**	–
Accrued distribution to the holders of perpetual convertible securities	**5,197**	–
Loss for the purpose of calculating basic loss per share	**57,143**	191,816

(ii) Weighted average number of ordinary shares

	2017	2016
	'000	*'000*
		(Restated)
Issued ordinary shares at 1 January	**12,047,043**	10,979,337
Effect of warrants exercised	**489,860**	632,244
Effect of issuance of shares under open offer	**–**	55,760
Effect of issuance of shares upon conversion of perpetual convertible securities	**141**	–
Weighted average number of ordinary shares at 31 December	**12,537,044**	11,667,341

(b) Diluted loss per share

There were no dilutive potential ordinary shares outstanding for the years ended 31 December 2017 and 2016. The effect of the deemed conversion of the perpetual convertible securities and exercise of the warrants were not included in the calculation of diluted loss per share as they are anti-dilutive during the year ended 31 December 2017.

7. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**28,192**	26,632
Less: allowance for doubtful debts	**(33)**	(828)
	28,159	25,804

All of the trade receivables are expected to be received within one year.

Ageing Analysis

As at the end of the Year, the ageing analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts, is as follow:

	2017	2016
	HK$'000	*HK$'000*
Within 90 days	**25,768**	24,585
91 to 180 days	**2,272**	1,173
181 to 365 days	**119**	46
	28,159	25,804

Trade receivables are due within 14 to 90 days (2016: 14 to 90 days) from the date of billing.

8. TRADE PAYABLES

As at the end of the Year, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 90 days	**33,225**	28,638
91 to 180 days	**48**	42
181 to 365 days	**28**	86
Over 365 days	**90**	73
	33,391	28,839

Included in trade payables are payables of HK$29,414,000 (2016: HK$25,415,000) due to a non-controlling equity shareholder of a subsidiary which are repayable within 40 days from the date of billing.

All of the trade payables are expected to be settled within one year or are repayable on demand.

9. SHORT-TERM BORROWINGS

The analysis of the Group's short-term borrowings is as follows:

		2017	2016
	Notes	***HK$'000***	*HK$'000*
Bank loans	*(i)*	**4,798**	5,565
Other borrowings	*(ii)*	**4,150**	4,052
		8,948	9,617

Notes:

(i) The bank loans bear interest at a rate of 4.35% (2016: rates ranged from 4.5% to 6.0%) per annum. The Group's bank loans with an aggregate carrying amount of HK$4,798,000 (2016: HK$4,452,000) are guaranteed by Nanjing Minxing Credit Guarantee Co., Ltd. ("**Nanjing Minxing**"), a third party. Such guarantees are further secured by the Group's inventories and other receivables with carrying amount of HK$8,396,000 and HK$599,700 as at 31 December 2017, respectively (2016: HK$6,679,000 and HK$501,000 respectively).

(ii) Other borrowings are unsecured, bear interest at 6.5% per annum (2016: 6.5% per annum) and are repayable on demand.

All of the short-term borrowings at 31 December 2017 and 2016 are denominated in Renminbi ("**RMB**").

10. SHARE CAPITAL

	2017		2016	
	Number of ordinary shares ***'000***	***HK$'000***	Number of ordinary shares *'000*	*HK$'000*
Authorised:				
Ordinary share at HK$0.005 each	**20,000,000**	**100,000**	20,000,000	100,000
Issued and fully paid:				
At 1 January	**12,047,043**	**60,235**	10,979,337	54,897
Issuance of new shares upon exercise of warrants *(Note (i))*	**700,552**	**3,503**	784,260	3,921
Issuance of new shares under open offer *(Note (ii))*	**–**	**–**	283,446	1,417
Issuance of new shares upon conversion of perpetual convertible securities *(Note (iii))*	**1,330**	**7**	–	–
At 31 December	**12,748,925**	**63,745**	12,047,043	60,235

Notes:

(i) In 2016, the Company made a bonus issue of warrants to the shareholders of the Company on the basis of one warrant for every seven existing ordinary shares of the Company. Accordingly, 1,568,476,768 units of warrants were issued on 4 May 2016.

Each warrant entitles the holder to subscribe in cash for one new ordinary share at an initial subscription price of HK$0.195 or HK$0.193 after 24 October 2016 after adjusting for the effect of the open offer mentioned in Note 10(ii). The warrants are exercisable at any time during the period of twelve months commencing from 4 May 2016 and ending on 3 May 2017 (both dates inclusive). Details of the warrants are disclosed in the Company's circular dated 26 April 2016.

During the Year, 700,552,419 units (2016: 784,259,285 units) of warrants had been exercised by the holders and accordingly, 700,552,419 ordinary shares were issued and allotted by the Company to the holders of the warrants. The consideration of HK$135,207,000 from the exercise of warrants were credited to share capital and share premium account at the amounts of HK$3,503,000 and HK$131,704,000, respectively. The remaining 83,665,064 units of warrants had expired upon maturity.

(ii) In September 2016, the Company conducted an open offer of ordinary share with an alternative of perpetual convertible security on the basis of one ordinary share or one unit of perpetual convertible security for every five ordinary shares held by the eligible shareholders (the "Open Offer") at a subscription price of HK$0.128 for each ordinary share or each unit of perpetual convertible security. Details of the Open Offer are set out in the Company's prospectus dated 29 September 2016. As a result of the Open Offer, 283,446,432 ordinary shares and 2,069,272,901 units of perpetual convertible securities were issued by the Company.

(iii) During the Year, 1,330,000 units of the perpetual convertible securities have been converted into 1,330,000 ordinary shares of the Company. The amount of HK$154,000 from the above conversion were credited to share capital and share premium account at the amounts of HK$7,000 and HK$147,000, respectively.

11. DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Summary

- Revenue was approximately HK$264.57 million for the Year, representing an increase of approximately 141.8% as compared to the last financial year of approximately HK$109.42 million. The increase was mainly attributable to the fact that the sale of air tickets was recognised on a gross basis instead of a net basis throughout the Year.

- A loss of approximately HK$56.03 million was recorded for the Year as compared with a substantial loss of approximately HK$194.07 million for the year ended 31 December 2016, representing a decrease of approximately 71.1%. The significant decrease in loss was primarily attributable to:

  (i) the significant decrease in the share of loss of an associate of the Group from HK$148.37 million for the year ended 31 December 2016 to HK$13.52 million for the Year due to the fact that no asset impairment was recorded by the associate for the Year (2016: HK$141.91 million);

  (ii) the absence of the net amortised finance charge of HK$12.06 million for the interest free loans incurred in the corresponding year; and

  (iii) the decrease in the share of loss of an associate and amortised finance charge were partially offset by an increase of administrative expenses.

Business Review

Travel Related and Other Services Segment

The continuing economic slowdown, weak demand of high cabin corporate travel, intense competition from online travel agencies and direct sale of low cost carriers continuously adversely affected the Group's operating performance.

Despite the travel related and other services segment recorded an increase in revenue from approximately HK$78.33 million for the year ended 31 December 2016 to approximately HK$236.29 million for the Year, the increase was mainly attributable to the fact that the sale of air tickets was recognised on a gross basis instead of a net basis throughout the Year. This segment recorded an operating loss of approximately HK$2.14 million for the Year (2016: HK$3.82 million), representing a decrease of approximately 44.0%.

The Group has been looking for more experienced sales and marketing staff to capture more business and clients from the markets of Hong Kong and Mainland China as well as seeking to develop highly profitable tourism products, including MICE (Meetings, Incentives, Conferences and Exhibitions) business, cruise business and hotel booking business.

The Group has been working with global partners to develop travel reporting tools to provide opportunity corporate clients with effective and efficient travel management solution that are customized to their needs.

The Group proposes to provide comprehensive training and allowances for the study of tourism-related courses to its staff in order to improve their knowledge, service quality and service standards in tourism and travel related business.

Trading and Retail of Jewellery Segment

This segment involves the distribution and sale of jewellery products such as precious stones, jade, gold and silver in our Group's flagship stores and counters of large department stores in Nanjing.

During the period from October 2016 to May 2017, blocked fences were set up along the road in front of our flagship store in Nanjing by the local municipal government and as a result, there was a drop in number of customers. Furthermore, as disclosed in the Company's announcement dated 22 June 2017, on 8 June 2017, there was a fire accident (the "**Fire Accident**") on the top of the third floor of the building, two floors above where our flagship jewellery store (the "**Jewellery Store**") is situated. The Jewellery Store was temporarily closed for urgent repair and reopened on 30 June 2017. Upon investigation by the local fire department, the Fire Accident was caused by a careless contractor (the "**Contractor**") who was appointed for a water proofing work at the scene.

On 27 July 2017, the Group took legal action against the Contractor at the People's Court of Qinhuai, Nanjing, the PRC seeking damages for loss and damage of the Group arising from the Fire Accident. On 14 February 2018, the Group reached an agreement with the Contractor through mediation by the court that the Contractor is required to pay the Group a sum of RMB0.55 million (equivalent to approximately HK$0.66 million) being damages for loss and damage of the Group by 31 March 2018. As at the date of this announcement, the payment is still outstanding.

As a result of the above issues, this segment recorded a decrease in revenue to approximately HK$26.54 million for the Year (2016: approximately HK$30.27 million) and a significant increase in operating loss to approximately HK$2.58 million (2016: approximately HK$1.13 million).

Attempting to improve the performance of this segment, on 27 July 2017, the Jewellery Store entered into a business cooperation agreement (the "**Cooperation**") with an independent jewellery retailer. Under the Cooperation, the Jewellery Store shall provide the jewellery retailer with a shop space for the operation of jewellery retail business for a term of two years commencing from 1 August 2017. During the term, the jewellery retailer shall pay to the Jewellery Store an aggregate sum of RMB0.82 million (equivalent to approximately HK$0.98 million) and RMB0.84 million (equivalent to approximately HK$1.01 million) for the first year and second year respectively. All expenses and staff costs in respect of the operation of jewellery retail business at the place provided by the Jewellery Store shall be borne by the jewellery retailer.

Although the Group has tried various ways to improve the performance of its jewellery business by, including, reducing its staff costs and leasing costs as well as entering into the Cooperation, this segment still suffered loss for the Year. Despite the redoubled effort put by the management, management of the Group considers that this segment is not the core business and is not expected to be a meaningful driver of or contributor to the operating results going forward. The Group will consider making further appropriate strategic decision as and when necessary.

The principal assets for this segment are inventories, which are mainly comprised of gold ornaments, gold materials, inlaid ornament and diamond materials. During the course of business, the Group has well-established systems for sourcing, warehousing, storage, payment, delivery, sales and payment collection for the purposes of better inventory and credit control. The Group's internal control system has been effectively implemented throughout the Year.

Financial Services Segment

On 24 January 2017, the Company completed the acquisition of the entire issued share capital of Orient Victory Azure Capital Company Limited (formerly known as Greater China Paxwell Limited) ("**Azure Capital**"). Throughout the Year, the Group had carried out certain number of regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") through its wholly-owned subsidiaries, namely Orient Victory Azure Asset Management Limited (formerly known as Afanti Asset Management Limited) ("**Azure Asset Management**") and Azure Capital. Azure Asset Management is a corporation licenced to carry on Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities and Azure Capital is a corporation licenced to carry on Type 6 (Advising on Corporate Finance) regulated activity under the SFO.

During the Year, financial services segment recorded revenue of HK$1.74 million (2016: 0.82 million) and losses from operation approximately HK$2.80 million (2016: 0.61 million) from regulated activities.

The Company believes the financial and equity market would remain stable and is not expected to experience significant fluctuations in the short run, which should be favorable to the growth of Azure Capital and Azure Asset Management. In addition, the Company has diverted efforts to remarket the brand name and promote the service of Azure Capital and Azure Asset Management, an increase in new financial advisory contracts and positive revenue contribution are expected. The Company expects a reasonable return under the current market conditions and increase in revenue would be received.

The Directors believe that the acquisition can expand the financial services limb of the principal business activities of the Group and therefore maximize returns to Shareholders. It also marked an important step of the Group to enter into the financial industry in Hong Kong. The Company will continue to monitor the development of Azure Capital and Azure Asset Management and the market situation and alter the business strategy along with the market conditions.

Property Development and Investment Segment

During the Year, the Group had successfully entered into the property industry by acquiring a land in New Zealand. The preliminary plan is to develop the land in phases which will comprise self-serviced units and residential units. For details, please refer to the announcement of the Company dated 11 August 2017.

The land is located in a tourism hub in North Auckland with close proximity to motorway, public transport, local amenities and popular tourist attractions. Identifying critical housing shortage in Auckland, the Board believes the acquisition represented a good investment opportunity for the Group.

As the acquisition was only completed in late 2017 and the development is still under a preliminary stage, no revenue was recorded and this segment recorded a loss of approximately HK$82,000 during the Year.

Liquidity and Financial Resources

During the Year, the Group's operations and investments continued to be mainly financed by internal resources, borrowings as well as proceeds raised from issuance of equity financing exercises. As at 31 December 2017, the Group's cash and cash equivalent and the restricted bank deposit totally amounted to approximately HK$401.14 million (2016: approximately HK$368.02 million), representing an increase of approximately 9.0% as compared to the year ended 31 December 2016, which are managed centrally (save for the fund to be used in a specific project). The increase of cash and cash equivalent and the restricted bank deposit was mainly attributable to the net proceeds of approximately HK$135.21 million raised from issuing new shares upon the exercise of warrants.

As at 31 December 2017, the Group had total bank and other borrowings of approximately HK$8.95 million (2016: HK$9.62 million), all of which were denominated in RMB, among which (i) approximately HK$4.80 million were bank loans (2016: approximately HK$5.57 million), which were secured and the effective interest rate was 4.35% per annum for the Year (2016: 4.5% to 6.0% per annum); and (ii) approximately HK$4.15 million were other short-term borrowings (2016: approximately HK$4.05 million), which were unsecured and at a fixed interest rate of 6.5% per annum for the Year (2016: 6.5% per annum).

As at 31 December 2017, the Group had a current ratio of approximately 7.82 (2016: 5.41). The gearing ratio was not applicable as the Group had net cash of approximately HK$348.75 million as at 31 December 2017 (2016: approximately HK$325.01 million).

Foreign Exchange Exposure

Since the transactions of the Group were mainly denominated in HK$, RMB and New Zealand dollar ("**NZD**"), the Group is exposed to foreign currency risk on the cash and cash equivalents of the entity which are denominated in RMB and NZD whose functional currency is HK$. During the Year, the Group had reviewed the hedged product in respect of foreign currency exposure of NZD. The Directors will continue to monitor the related foreign currency exposure and are prepared to take appropriate hedging action as and when necessary.

FUND RAISING ACTIVITIES

(a) Exercise of Warrants

On 4 May 2016, the Company issued 1,568,476,768 units of warrants to its Shareholders.

Each warrant entitles its holder to subscribe in cash for one new ordinary share at an initial subscription price of HK$0.195 per share which was then adjusted to HK$0.193 per share with effect from 24 October 2016 (subject to further adjustment) in accordance with the terms and conditions of the instrument of the warrants. The warrants were exercisable at any time during the period of twelve months commencing from 4 May 2016 and ending on 3 May 2017 (both dates inclusive). Further details of the warrants are disclosed in the Company's circular dated 26 April 2016.

During the Year, 700,552,419 units of warrants had been exercised by the warrants holders and accordingly, 700,552,419 ordinary shares were issued and allotted by the Company to the holders of the warrants and cash proceeds of approximately HK$135.21 million were raised under the exercise of 700,552,419 units of warrants.

The remaining warrants were expired on 3 May 2017 and there are no outstanding warrants as at 31 December 2017.

ACQUISITIONS AND INVESTMENTS

(a) Azure Capital

Reference is made to the Company's announcement dated 25 January 2017, the Company completed the acquisition of 100% shareholdings of Azure Capital on 24 January 2017, a licensed corporation to carry on Type 6 (advising on Corporate Finance) regulated activities under the SFO for the consideration of approximately HK$6.42 million, which is determined with reference to the net asset value of the Azure Capital as at 31 December 2016. The acquisition was completed on 24 January 2017.

*(b) Nibou Company Limited ("**Nibou**")*

Reference is made to the Company's announcements dated 10 March 2017 and 13 March 2017, Yield Quality Investment Limited ("**Yield Quality**"), an indirect wholly-owned subsidiary of the Company as the purchaser, Mr. Ippa Kitazono as the vendor, and Mr. Zhang Jie and Mr. Hui Wan Sang as the guarantors of the vendor entered into a sale and purchase agreement, pursuant to which, amongst others, Yield Quality conditionally agreed to purchase, and Mr. Ippa Kitazono conditionally agreed to sell the sale shares representing 78% of the issued share capital of Nibou at the consideration of JPY103,740,000 (equivalent to approximately HK$7,053,283) (the "**Nibou SPA**"). Due to the vendor has failed to complete the transaction in accordance with the term of the Nibou SPA and has been in breach of it. On 10 November 2017, Yield Quality issued a writ of summons against the vendor and the guarantors for the sum of HK$2,416,461 (or its JPY equivalent), damages for breach of the Nibou SPA and/or indemnity for damages for breach of the Nibou SPA, interest, further or other relief and costs.

(c) Establishment of Joint Venture

Reference is made to the announcement of the Company dated 13 April 2017 in relation to the formation of a joint venture company, namely Ningbo Meishan Bonded Port Shousheng Jianyin Investment Management Company Limited* (寧波梅山保税港區首勝建銀投資管理有限公司) (the "**JV Company**").

The Articles of the JV Company was signed on 13 April 2017. Under the Articles, the total registered share capital of the JV Company is RMB10 million, which will be contributed and held as to 40% by Shenzhen Dongsheng Huamei Cultural Travel Company Limited (an indirect wholly-owned subsidiary of the Company) ("**Dongsheng Huamei**"), 30% by Guangzhou Tianlun Wanyi Investment Limited ("**Tianlun**") and 30% by Jian Yin Ju Yuan Investment Management (Beijing) Limited ("**Jian Yin Ju Yuan**"). Each of Tianlun and Jian Yin Ju Yuan is a connected person of the Company. The JV Company will engage in project investment, investment management, asset management and investment consultancy, subject to the approval of the local administration of industry and commerce.

The JV Company has already obtained the business licence in the PRC on 16 May 2017.

(d) Acquisition of Land in New Zealand

As disclosed in the announcement of the Company dated 11 August 2017, the Company has entered into the agreement with Horncastle Home Limited, a company incorporated in New Zealand with limited liability and is independent of and not connected with the Company or any of its connected person (as defined in the Listing Rules), in relation to the acquisition of a piece of land at the consideration of approximately NZD9 million (equivalent to approximately HK$51.3 million). The land is located at Silverdale, Auckland of New Zealand and has an aggregate area of approximately 15,742 sq.m. for the development of self-serviced units and residential units.

The acquisition was completed on 14 November 2017 and the development of the land is still under a preliminary stage.

(e) Investment in a Joint Venture Company

Reference is made to the announcement of the Company dated 10 July 2017 in relation to an investment agreement (the "**Agreement**") entered into among, Donghui Hong Kong Holdings Limited (an indirect wholly-owned subsidiary of the Company) ("**Donghui HK**"), Beijing Yitian New Music Cultural Development Company Limited* (北京壹天中新音樂文化產業發展有限公司) (the "**New JV Company**") and five equity holders of the New JV Company (the "**Investors**") in relation to the capital injection into the registered capital of the New JV Company by Donghui HK (the "**Capital Injection**") in accordance with the Agreement. One of the Investors is a connected person of the Company.

Pursuant to the Agreement, three of the Investors will transfer a total of 30% interest in the New JV Company to Donghui HK, in consideration of Donghui HK injecting RMB15 million (the "**Consideration**") into the New JV Company. Upon completion, the register capital of the New JV Company will be held as to 30% and 70% by Donghui HK and the Investors respectively. Donghui HK will become the largest equity holder of the New JV Company and the financial statement of the New JV Company will be consolidated into the financial statement of the Group. As a result, the New JV Company will become an indirect non-wholly owned subsidiary of the Company.

The Board constantly reviews the Company's business strategy and continues to explore attractive business opportunities. The New JV Company specialises in cultural and art exchange and activities, and the Company intends to expand its travel-related business with the New JV Company. The Board considers that the capital injection can strengthen the capital base of the New JV Company to cater for future development and business growth, which will enhance the performance of the New JV Company, and in turn will increase the overall profits of the Group.

As at the date of this announcement, the conditions precedent under the Agreement have not been fulfilled in full and completion of the Agreement will take place when all the conditions precedent have been fulfilled.

FINANCIAL ASSISTANCE

Reference is made to the announcement of the Company dated 28 November 2017 in relation to the agreement entered into between Donghui HK (an indirect wholly-owned subsidiary of the Company) and China Comfort Tourism Group Company Limited* (中國康輝旅遊集團有限公司) (formerly known as China Comfort Travel Group Company Limited* (中國康輝旅行社集團有限責任公司)) ("**China Comfort**"), a company incorporated in the PRC with limited liability and owned as to 49% by the Group through Donghui HK and 51% by Beijing Tourism Group Company Limited* (北京首都旅遊集團有限責任公司)) ("**BTG**") dated 28 November 2017 in respect of the provision of financial assistance to China Comfort (the "**Loan Agreement**"). Pursuant to the Loan Agreement, Donghui HK agreed to provide financial assistance to China Comfort by executing a charge on deposit(s) in respect of the charge of the fixed deposit in the name of Donghui HK with China Minsheng Banking Corporation Limited, Hong Kong Branch (the "**Bank**") in the principal sum of approximately RMB27.72 million (equivalent to approximately HK$33.25 million) in favour of the Bank as a security for the provision of the loan facility in the sum of not more than RMB27.72 million (equivalent to approximately HK$33.25 million) to be advanced to China Comfort by way of letter of credit to be provided by China Minsheng Banking Corporation Limited, Beijing Branch. BTG is a connected person of the Company.

EVENTS AFTER THE REPORTING PERIOD

Great Ascent Acquisition

Reference is made to the Company's announcement dated 22 January 2018, in relation to the acquisition of 40% equity interest in Great Ascent Limited ("**Great Ascent**") of which the Company, Orient Victory Group HK Holdings Limited ("**OV(HK)**") and Heng Sheng Xin Ye (Beijing) Asset Management Company Limited* (恆晟鑫業(北京)資產管理有限公司) (the "**Heng Sheng**") as the purchasers, and Mr. Li Jun Bang as the vendor entered into a share purchase agreement, pursuant to which the Company will acquire from Mr. Li Jun Bang 40% of the issued share capital of Great Ascent for the four-ninths of the total considerations, including the equity consideration at RMB75 million subject to adjustment according to the valuation report by an independent valuer, and the settlement of the bank loans(s) of RMB50 million and the other loan(s) of RMB60 million), to be paid or borne by the Company for four-ninths of the total consideration (the "**Great Ascent Acquisition**"). Upon completion of the Great Ascent Acquisition, Great Ascent will become an associate of the Company.

As at the date of this announcement, due diligence process and valuation on Great Ascent are still in progress.

Great Ascent is a company established in Hong Kong with limited liability on 13 September 2007. Great Ascent wholly owns Jiangsu Hongshan Sports Fitness Holiday Village Company Limited* (江蘇紅山體育健身度假村有限公司), a company incorporated in the PRC, which has exclusive operation right in Hongshan Sports Park and Great Ascent and its subsidiary are primarily involved in tourism projects.

In addition, Mr. Shi Baodong, the chairman and an executive Director, is also the director and ultimate shareholder of OV (HK). Therefore, OV (HK) is a connected person of the Company under the Listing Rules and it constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Yiersan Acquisition

Reference is made to the Company's announcement dated 22 January 2018, in relation to the acquisition of 40% equity interest in Jiangsu Yiersan Real Estate Development Company Limited* (江蘇一二三房地產開發有限公司) (the "**Yiersan**"), of which the Company, Orient Victory Property Development Group Co., Ltd.* (東勝房地產開發集團有限公司) (the "**OVPD**") and Heng Sheng as the Purchasers, Jiangsu Yinmao Holding (Group) Company Limited* (江蘇銀茂控股（集團）有限公司) (the "**Yinmao**") as the purchasers and Mr. Nie Jiangqiang as the vendors entered into a share purchase agreement, pursuant to which the Company will acquire from Yinmao 40% of the issued share capital of Yiersan for 40% of the total consideration of RMB50 million in aggregate for the entire equity interest of Yiersan subject to adjustment according to the valuation report by an independent valuer (the "**Yiersan Acquisition**"). Upon completion of the Yiersan Acquisition, Yiersan will become an associate of the Company.

Each of OV(HK) and OVPD is a connect person of the Company. Yiersan is a company established in the PRC with a paid-capital of RMB50 million on 17 March 2011. 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.

As at the date of this announcement, due diligence process and valuation on Yiersan are still in progress.

Compensation on Fire Accident

As disclosed in the Company's announcement dated 22 June 2017, on 8 June 2017, due to the Fire Accident, the Jewellery Store was temporarily closed for urgent repair and reopened on 30 June 2017.

As previously disclosed, on 27 July 2017, the Group took legal action against the Contractor at the People's Court of Qinhuai, Nanjing, PRC seeking damages for loss and damage of the Group arising from the Fire Accident. On 14 February 2018, the Group reached an agreement with the Contractor through mediation by the court that the Contractor is required to pay the Group a sum of RMB0.55 million (equivalent to approximately HK$0.66 million) by 31 March 2018. As at the date of this announcement, the payment is still outstanding.

BUSINESS STRATEGY

(a) Travel Related and Other Services Business Segment

The Group will continue to focus on and allocate resources in promotion and marketing to expand and diversify its business product types such as MICE (Meetings, Incentives, Conferences and Exhibitions). We will also be working with global travel related solutions providers who are present and developing this market for common growth. We expect to gain our market share in this area with our global travel management partner bringing global management practice to the Hong Kong market and continue to improve our service and tools for companies both large multinationals and SMEs. The Group will be benefit from the vast network of China Comfort, an associate company of the Group, the integrated online service system for China Comfort by building its own online platform, together with the cooperation with major B2C platforms (such as Ctrip and Tuniu). The Board believes that the Group and China Comfort will complement each other with their own remarkable resources while the Group will make vigorous efforts to promote its MICE business and penetrate into the Chinese tourism market, so as to strengthen its position in the tourism market.

(b) Trading and Retail of Jewellery Business Segment

Due to the sluggish economic environment and the increase in prices of raw materials such as gold, and certain other factors, the performance of our jewellery business is deteriorating. Although the Group has tried various ways to improve the performance by, including, reducing staff costs and leasing costs as well as entering into the Cooperation as previously mentioned, this segment still suffered loss for the Year. Despite this segment is not the core business of the Group and is not expected to be a meaningful driver of or contributor to the operating results of the Group going forward, the Group will consider making further appropriate strategic decision as and when necessary.

(c) Financial Services Business Segment

The Board believes that the Group can leverage on the existing business's tourist flow for the provision of its financial services in the future. In order to provide integrated solutions in the financial service industry, the Company will deepen its penetration into the financial service industry and strive to become a corporation with a complete range of licences so as to provide comprehensive services to its customers. The Company will continue to monitor the development of Azure Capital and Azure Asset Management and the market situation and alter business strategy along with the market conditions.

Looking forward, "Travel +" (i.e. Travel + Finance + Property Development) will be the main revenue driver of the Company in the future and the Company will make vigorous effort to develop "Travel +" business, with the 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.

NEW BUSINESS UPDATES

The Group is exploring other potential opportunities incidental to the travel industry, including but not limited to, acquisition of land and construction of self-serviced and residential units. The potential investments, if materialised, are expected to enable the Group to expand its travel-related business vertically as well as to generate synergy effects on the existing business of the Group.

PLEDGES OF ASSETS

As at 31 December 2017, certain assets of the Group with an aggregate carrying value of HK$42.24 million (31 December 2016: HK$40.57 million) were pledged as collateral for borrowings obtained by its subsidiaries and associate.

As at 31 December 2017 and 2016, the Group had pledged the entire equity interest of Shenzhen Dong Sheng Hua Yu Commercial Management Co., Ltd.* (深圳東勝華譽商業管理有限公司) (an indirect wholly-owned subsidiary of the Company) and had pledged the entire issued share capital of Donghui Hong Kong Holdings Limited (an indirect wholly-owned subsidiary of the Company), to secure the issue of the perpetual convertible securities of March 2016 (please refer to the Company's announcement dated 30 March 2016 and circular dated 29 January 2016 for details) in an aggregate principal amount of HK$170 million.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had contingent liabilities in respect of a letter of credit secured for bank borrowings of an associate in an amount of approximately HK$33.25 million (31 December 2016: HK$33.39 million).

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2017, the total number of employees of the Group was 130 (31 December 2016: 137). Staff costs (including Directors' emoluments) amounted to approximately HK$31.51 million for the Year (2016: approximately HK$30.64 million).

In addition to salary, other fringe benefits such as medical insurance and mandatory provident fund schemes for employees, are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment to their salaries comparable to that of the market. Individual employees may also receive a discretionary bonus at the end of each year based on their individual performance.

FINAL DIVIDEND

The Board does not recommend payment of any final dividend for the Year (2016: Nil).

CORPORATE GOVERNANCE

The Company has complied with all the code provisions of the "Corporate Governance Code and Corporate Governance Report" as set out in the Appendix 14 to the Listing Rules throughout the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct for dealings in securities of the Company by the Directors.

Specific enquiries have been made with all the Directors, who have confirmed that they complied with the required standards as set out in the Model Code throughout the Year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, the Company did not redeem any of its shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any such shares.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the Listing Rules. The Audit Committee presently comprises two independent non-executive Directors, namely Mr. Law Wang Chak, Waltery (being the chairman) and Mr. He Qi, and a non-executive Director, namely Ms. Song Sining.

The Group's annual results for the Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this preliminary announcement have been compared by the Company's external auditor, KPMG, Certified Public Accountants, with the amounts set out in the Group's draft consolidated financial statements for the Year and the amounts were found to be in agreement.

The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by KPMG on this preliminary announcement.

The Audit Committee has met KPMG, and reviewed the annual results for the Year and has recommended its adoption by the Board.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The electronic version of this announcement will be published on the website of the Stock Exchange (**www.hkexnews.hk**) and the website of the Company (**www.orientvictory.com.hk**).

On behalf of the Board
Orient Victory Travel Group Company Limited
Shi Baodong
Chairman and Executive Director

Hong Kong, 29 March 2018

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Shi Baodong, Mr. Zhao Huining and Mr. Wang Jianhua, 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 identification purpose only*