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 2018

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$248.67 million for the Year, representing an increase of approximately 4.47% as compared with the last financial year of approximately HK$238.03 million (restated). The increase in revenue was mainly contributed by the newly acquired subsidiary in the PRC which engages in provision of travel-related services.

- A loss of approximately HK$57.89 million was recorded for the Year (2017: approximately HK$56.03 million) representing a slight increase of approximately 3.32%. The increase in loss were primarily attributable to:

  (i) the increase in the share of losses of associates of the Group by approximately HK$3.79 million from approximately HK$13.52 million for the year ended 31 December 2017 to approximately HK$17.31 million for the Year mainly due to the losses on disposal of a subsidiary and an associate in aggregate of approximately HK$13.64 million recorded by an associate;

  (ii) the increase in finance costs by approximately HK$4.72 million from net exchange gain of approximately HK$2.55 million for the year ended 31 December 2017 to net exchange loss of approximately HK$2.17 million arising from RMB saving deposits as a result of the depreciation of RMB during the Year;

  (iii) the increase in other income by approximately HK$1.03 million from approximately HK$4.37 million for the year ended 31 December 2017 to approximately HK$5.40 million for the Year; and

  (iv) profit for the Year arising from disposal of Jewellery Business was approximately HK$2.10 million while there was a loss incurred from the Jewellery Business amounted to approximately HK$3.13 million for the year ended 31 December 2017.

- Basic and diluted loss per share attributable to equity shareholders of the Company for the Year was approximately HK$0.64 cents. The basic and diluted loss per share attributable to equity shareholders of the Company for the year ended 31 December 2017 was approximately HK0.46 cents.

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

The board ("**Board**") of directors (the "**Director(s)**") of Orient Victory Travel Group Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") hereby announces the consolidated results of the Company for the year ended 31 December 2018 (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 2018

	Note	**2018** ***$'000***	2017 *$'000* *(Restated)* *(Note)*
Continuing operations:			
Revenue	*3*	**248,672**	238,030
Cost of sales		**(230,554)**	(219,315)
Gross profit		**18,118**	18,715
Other income		**5,395**	4,366
Selling, general and administrative expenses		**(64,507)**	(64,979)
Share of losses of associates		**(17,314)**	(13,517)
Loss from operations		**(58,308)**	(55,415)
Finance (costs)/income	*4*	**(2,174)**	2,548
Gain on disposal of a subsidiary		**492**	–
Loss before taxation	*4*	**(59,990)**	(52,867)
Income tax	*5*	**–**	(36)
Loss for the year from continuing operations		**(59,990)**	(52,903)
Discontinued operation:			
Profit/(loss) for the year from discontinued operation		**2,097**	(3,128)
Loss for the year		**(57,893)**	(56,031)
Attributable to:			
Equity owners of the Company			
– continuing operations		**(58,494)**	(45,106)
– discontinued operation		**2,416**	(1,740)
		(56,078)	(46,846)
Non-controlling interests			
– continuing operations		**(1,496)**	(7,797)
– discontinued operation		**(319)**	(1,388)
		(1,815)	(9,185)
Loss for the year		**(57,893)**	(56,031)
Basic and diluted loss per share	*6*	**(HK0.64 cents)**	(HK0.46 cents)

Note: The restatement of comparative information is attributable to the discontinued operation. The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	$'000	*$'000*
		(Restated)
		(Note)
Loss for the year	**(57,893)**	(56,031)
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	**(22,951)**	30,273
– exchange reserve recycled to profit or loss upon disposal of subsidiaries	**(908)**	–
	(23,859)	30,273
Total comprehensive income for the year	**(81,752)**	(25,758)
Attributable to:		
Equity owners of the Company		
– continuing operations	**(81,188)**	(15,439)
– discontinued operation	**1,358**	(1,433)
	(79,830)	(16,872)
Non-controlling interests		
– continuing operations	**(1,484)**	(7,743)
– discontinued operation	**(438)**	(1,143)
	(1,922)	(8,886)
Total comprehensive income for the year	**(81,752)**	(25,758)

Note: The restatement of comparative information is attributable to the discontinued operation. The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000 (Note)
Non-current assets			
Property, plant and equipment		**103,576**	2,020
Intangible assets		**18,128**	16,388
Lease prepayments		**27,684**	–
Goodwill		**12,994**	–
Interests in associates		**391,253**	399,271
Other financial assets		**71,063**	–
		624,698	417,679
Current assets			
Inventories		**69,986**	63,791
Trade receivables	*7*	**25,578**	28,159
Prepayments, deposits and other receivables		**81,680**	15,249
Restricted bank deposits		**11,794**	43,448
Cash and cash equivalents		**188,873**	357,696
		377,911	508,343
Current liabilities			
Trade payables	*8*	**26,701**	33,391
Contract liabilities		**1,223**	–
Other payables and accruals		**170,209**	22,655
Short-term borrowings	*9*	**13,226**	8,948
		211,359	64,994
Net current assets		**166,552**	443,349
Total assets less current liabilities		**791,250**	861,028
Non-current liabilities			
Deferred tax liabilities		**6,790**	2,704
NET ASSETS		**784,460**	858,324

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000 (Note)
CAPITAL AND RESERVES			
Share capital	10	**63,750**	63,745
Perpetual convertible securities		**396,274**	396,402
Reserves		**283,576**	391,625
Total equity attributable to equity owners of the Company		**743,600**	851,772
Non-controlling interests		**40,860**	6,552
TOTAL EQUITY		**784,460**	858,324

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).

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**").

Upon the sale of its jewellery business in September 2018, the Group are principally engaged in the sale of air tickets and other travel related services, provision of financial services, property and tourism integrated development, 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**"). Significant accounting policies adopted by the Group are disclosed below.

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 2018 comprise the Group and the Group's interests in associates.

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

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

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 a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, *Financial instruments*
(ii) HKFRS 15, *Revenue from contracts with customers*
(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as HKFRS 9.

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on accumulated losses and the related tax impact (if any) at 1 January 2018.

	$'000
Accumulated losses	
Recognition of additional expected credit losses on financial assets measured at amortised cost	88
Share of the effect of recognition of additional expected credit losses on financial assets of the Group's associate measured at amortised cost	2,176
Net increase in accumulated losses at 1 January 2018	2,264
Non-controlling interests	
Recognition of additional expected credit losses on financial assets measured at amortised cost and decrease in non-controlling interests at 1 January 2018	46

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. *Classification of financial assets and financial liabilities*

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("**FVOCI**") and at fair value through profit or loss ("**FVPL**"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	**Remeasurement**	**HKFRS 9 carrying amount at 1 January 2018**
	$'000	*$'000*	*$'000*
Financial assets carried at amortised cost			
Restricted bank deposits	43,448	–	43,448
Cash and cash equivalents	357,696	–	357,696
Trade receivables	28,159	(134)	28,025
Other receivables and advances to related parties (included in prepayments, deposits and other receivables)	1,647	–	1,647
	430,950	(134)	430,816

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

b. *Credit losses*

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, and other financial assets).

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 at 1 January 2018.

	$'000
Loss allowance at 31 December 2017 under HKAS 39	33
Additional credit loss recognised at 1 January 2018 on trade receivables	134
Loss allowance at 1 January 2018 under HKFRS 9	167

c. *Transition*

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in accumulated losses at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The assessment on the determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstance that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and there is no impact to the opening balance of equity at 1 January 2018 on the initial application of HKFRS 15. Comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

– When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs.

– When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced.

– When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that goods or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods and rendering of services.

b. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The adoption of HKFRS 15 does not have a significant impact on the presentation of assets and liabilities at 1 January 2018, and accordingly, no adjustment has been made in this regard.

(iii) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group, upon the sale of its jewellery business, is principally engaged in the sale of air tickets and other travel related services, provision of financial services, property and tourism integrated development, and other investment holding business. Further details regarding the Group's principal activities are disclosed in Note 3(b).

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2018	2017
	$'000	*$'000*
Continuing operations:		
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
– Sale of air tickets	**234,928**	226,007
– Commission and service income from travel related and other services	**13,414**	10,282
– Financial services	**330**	1,741
	248,672	238,030
Discontinued operation:		
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
– Trading and retail of jewellery	**24,773**	23,926
– Commission income from sales of jewellery	**2,203**	2,614
	26,976	26,540
	275,648	264,570

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in Notes 3(b)(i) and 3(b)(ii) respectively.

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 2018 and 2017.

(b) Segment reporting

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

Continuing reportable segments:

- The diversified tourism products and services segment, which comprises the sale of air tickets and provision of other travel related services principally to corporate clients.

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

- The integrated development segment, which involves the development and operation of tourism and cultural attractions, visitor accommodation and properties for sale.

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

Discontinued reportable segment:

- The trading and retail of jewellery segment, which involves the distribution and sale of jewellery products.

(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 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.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 is set out below.

	Continuing operations										Discontinued operation			
	Diversified tourism products and services		Financial services		Integrated development		Investment holding		Sub-total		Trading and retail of jewellery		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
								(Restated) *(Note)*		(Restated) *(Note)*		(Restated) *(Note)*		
Disaggregated by timing of revenue recognition:														
– Point in time	**245,601**	236,289	**–**	–	**–**	–	**–**	–	**245,601**	236,289	**26,976**	26,540	**272,577**	262,829
– Over time	**2,741**	–	**330**	1,741	**–**	–	**–**	–	**3,071**	1,741	**–**	–	**3,071**	1,741
Revenue from external customers	**248,342**	236,289	**330**	1,741	**–**	–	**–**	–	**248,672**	238,030	**26,976**	26,540	**275,648**	264,570
Segment results	**(5,294)**	(2,142)	**486**	(2,796)	**(64)**	(82)	**(52,944)**	(50,395)	**(57,816)**	(55,415)	**2,492**	(2,504)	**(55,324)**	(57,919)
Reconciliation:														
Finance (costs)/ income									**(2,174)**	2,548	**(395)**	(624)	**(2,569)**	1,924
(Loss)/profit before taxation									**(59,990)**	(52,867)	**2,097**	(3,128)	**(57,893)**	(55,995)
Segment assets	**36,348**	28,341	**16,674**	17,132	**315,541**	50,677	**433,379**	410,898	**801,942**	507,048	**–**	17,830	**801,942**	524,878
Corporate and other unallocated assets													**200,667**	401,144
Total assets													**1,002,609**	926,022
Segment and total liabilities	**50,055**	40,467	**2,782**	3,380	**69,500**	126	**95,812**	11,041	**218,149**	55,014	**–**	12,684	**218,149**	67,698

	Continuing operations										Discontinued operation			
	Diversified tourism products and services		Financial services		Integrated development		Investment holding		Sub-total		Trading and retail of jewellery		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
								(Restated) *(Note)*		(Restated) *(Note)*		(Restated) *(Note)*		
Other segment information:														
Share of losses of associates	–	–	–	–	–	–	17,314	13,517	17,314	13,517	–	–	17,314	13,517
Loss on disposal of property, plant and equipment, net	–	–	–	5	–	–	–	–	–	5	17	24	17	29
Depreciation and amortisation	251	170	12	1	195	–	199	402	657	573	46	62	703	635
Capital expenditure	369	877	–	–	8	–	7	145	384	1,022	9	117	393	1,139

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

(ii) Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's assets. The geographical location of customers is based on the location at which the goods and services were sold or provided. The geographical location of the specified assets is based on the physical location of the assets or the location of the operations, in the case of property, plant and equipment, intangible assets, lease prepayments and current assets, the location of the lender's operation, in the case of other financial assets, and the location of operations, in the case of goodwill and interests in associates except for the associate's intangible assets in distribution network which is separately allocated based on the location receiving the substantial benefits.

	Revenue from external customers (Continuing operations)		Revenue from external customers (Discontinued operation)		Non-current assets		Current assets		Total assets	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Hong Kong (place of domicile)	245,350	238,030	–	–	365,495	384,651	211,591	409,255	577,086	793,906
Mainland China	3,322	–	26,976	26,540	259,200	33,023	98,427	28,368	357,627	61,391
New Zealand	–	–	–	–	3	5	67,893	70,720	67,896	70,725
	248,672	238,030	26,976	26,540	624,698	417,679	377,911	508,343	1,002,609	926,022

4 LOSS BEFORE TAXATION

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

(a) Finance costs/(income)

	2018	2017
	$'000	*$'000*
		(Restated)
Net foreign exchange loss/(gain)	**2,174**	(2,548)

(b) Staff costs (including directors' emoluments)

	2018	2017
	$'000	*$'000*
		(Restated)
Wages, salaries and other benefits	**31,497**	26,640
Pension scheme contributions	**1,438**	791
	32,935	27,431

(c) Other items

	2018	2017
	$'000	*$'000*
		(Restated)
Cost of inventories sold	**230,554**	219,315
Depreciation and amortisation	**657**	573
Impairment losses/(reversal of impairment losses) on trade receivables	**18**	(828)
Minimum lease payments under operating leases	**6,369**	5,667
Auditors' remuneration	**3,507**	2,256
Loss on disposal of property, plant and equipment, net	**–**	5

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2018	2017
	$'000	*$'000*
		(Restated)
Current tax – Overseas		
Provision for the year	**–**	36

(i) Provision for Hong Kong Profit Tax for 2018 is calculated at 16.5% (2017: 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 2018 (2017: $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 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 (2017: 25%), except for a subsidiary of the Group which is a small-scale enterprise and is subject to income tax rate at 20% (2017: 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 (2017: 28%).

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

	2018	2017
	$'000	*$'000*
Loss attributable to the equity owners of the Company	**56,078**	46,846
Distribution paid to the holders of perpetual convertible securities	**26,078**	5,100
Accrued distribution to the holders of perpetual convertible securities	**–**	5,197
Loss for the purpose of calculating basic loss per share	**82,156**	57,143

(ii) Weighted average number of ordinary shares

	2018	2017
	'000	*'000*
Issued ordinary shares at 1 January	**12,748,925**	12,047,043
Effect of warrants exercised	**–**	489,860
Effect of issuance of shares upon conversion of perpetual convertible securities	**493**	141
Weighted average number of ordinary shares at 31 December	**12,749,418**	12,537,044

(b) Diluted loss per share

There were no dilutive potential ordinary shares outstanding for the years ended 31 December 2018 and 2017. The effect of the deemed conversion of the perpetual convertible securities was not included in the calculation of diluted loss per share as they are anti-dilutive during the years ended 31 December 2018 and 2017.

7 TRADE RECEIVABLES

	31 December 2018	1 January 2018	31 December 2017
	$'000	*$'000*	*$'000*
Trade receivables	**25,730**	28,192	28,192
Less: loss allowance	**(152)**	(167)	(33)
	25,578	28,025	28,159

Note: Upon the adoption of HKFRS 9, an opening adjustment at 1 January 2018 was made to recognise additional ECLs on trade receivables (see Note 2(c)(i)).

Ageing analysis

As at the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	$'000	*$'000*
Within 90 days	**23,060**	25,768
91 to 180 days	**1,902**	2,272
181 to 365 days	**429**	119
Over 365 days	**187**	–
	25,578	28,159

Trade receivables are due within 14 to 90 days (2017: 14 to 90 days) from the date of billing.

8 TRADE PAYABLES

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

	2018	2017
	$'000	*$'000*
Within 90 days	**26,701**	33,225
91 to 180 days	**–**	48
181 to 365 days	**–**	28
Over 365 days	**–**	90
	26,701	33,391

Included in trade payables are payables of $24,800,000 (2017: $29,414,000) 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:

	2018	2017
	$'000	*$'000*
Bank loans	**–**	4,798
Other borrowings		
– from related parties	**13,226**	–
– from third parties	**–**	4,150
	13,226	8,948

At 31 December 2018, other borrowings from related parties bear interest at a rate of 4.35% per annum and are repayable within one year.

10 SHARE CAPITAL

	2018		2017	
	Number of ordinary shares		Number of ordinary shares	
	'000	***$'000***	*'000*	*$'000*
Authorised:				
Ordinary share at $0.005 each	**20,000,000**	**100,000**	20,000,000	100,000
Issued and fully paid:				
At 1 January	**12,748,925**	**63,745**	12,047,043	60,235
Issuance of new shares upon exercise of warrants	**–**	**–**	700,552	3,503
Issuance of new shares upon conversion of perpetual convertible securities *(Note (i))*	**1,000**	**5**	1,330	7
At 31 December	**12,749,925**	**63,750**	12,748,925	63,745

Notes:

(i) During the year, 1,000,000 units (2017: 1,330,000 units) of the 2016 October PCS have been converted into 1,000,000 ordinary shares in the Company (2017: 1,330,000 shares). The amount of $128,000 (2017: $154,000) from the above conversion were credited to share capital and share premium account at the amounts of $5,000 (2017: $7,000) and $123,000 (2017: $147,000), respectively.

11 DIVIDEND

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: $Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Strategy

The Group will continue to explore the opportunities to expand its diversified tourism products and services business in order to add momentum to the growth of the Group.

During the Year, the Group continued to allocate resources and effort in promoting and marketing its diversified tourism products and services business. For the benefit of the shareholders, the Group expanded its scope of services through broadening customer groups and types of services provided. The development of the high profitable products, such as MICE (Meetings, Incentives, Conferences and Exhibitions) is one of the successful achievements. This development enriches our customer base in the corporate level. We also works with certain global travel related solutions providers and gains remarkable market share in this area. Through the mutual corporation with our global travel management partners, certain global management practices have been introduced to the Hong Kong market which improved our services and methods significantly.

During the Year, the Group acquired the entire interest in Dongsheng (Beijing) International Travel Co., Limited* (東勝(北京)國際旅行社有限公司) ("**Dongsheng Beijing**"), whose principal business is provision of travel-related services business in the PRC, to extend its presence in the PRC market.

With reference to the results of certain studies and researches, the Board recognised that the potentiality and profitability in the development and operation of tourism attractions and culture spots, visitor accommodation and properties for sales are remarkable. The Group has been eager to expand its involvement in the integrated development business.

During the Year, the Group had acquired (a) 40% interests in Zhangjiakou Dakun Zhifang Real Estate Development Co., Limited* (張家口大坤直方房地產開發有限公司) ("**Dakun Zhifang**"); and (b) 55% interest in Hebei Tu Men Travel Development Limited* (河北土門旅遊開發有限公司) ("**Tu Men Travel**") and 75% interests in Hebei Yidao Town Real Estate Development Limited* (河北驛道小鎮房地產開發有限公司) ("**Yidao Town Real Estate**"), all of which are involved in the provision of operating and management of tourism attractions, culture spots and development of tourism property. Besides, the Group also entered into a sale and purchase agreement regarding the acquisition of 40% interest in Great Ascent Limited ("**Great Ascent**") and 40% interest in Jiangsu Yiersan Real Estate Development Co., Limited* (江蘇一二三房地產開發有限公司) ("**Yiersan**"). Great Ascent (through its subsidiary) is principally engaged in providing exclusive travel services in the Hongshan Sports Park development project while Yiersan is principally engaged in real estate development and management, property services, real estate agencies, construction consulting services and sales of building materials. Upon completion of the acquisitions of Great Ascent and Yiersan, the integrated development segment will be enlarged further.

In the long run, the Group intends to have its own tourism facilities spots to cater for its potential needs from its customers 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-services apartments and residential apartments. These self-services apartments mainly focus on travelers 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 spots.

Apart from the diversified tourism products and services business and the integrated development business, the Group also operates the licensed corporations which carry on Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the Securities Future Ordinances (Chapter 571 of the Laws of Hong Kong). The on-going Sino-US Trade War brings the deteriorate effect to the global economy. Although the Group has put effort to optimize the services to the existing customer and broaden the customer segment, the performance of the financial services business did not meet the expectation. The Board will keep caution on the market situation and alter the business strategy along with the market conditions.

In September 2018, the Group completed the disposal of trading and retail business in jewellery (the "**Jewellery Business**"). Despite the Group had tried various ways to improve their performance in previous years, the effects were not significant. In view of the benefit of the Group and its shareholders as a whole, the Group ceased the Jewellery Business such that the Group could improve the resources allocation to other segments of the Group.

Looking forward, there will be still challenges ahead. The Group is exploring other potential opportunities incidental to the travel industry, including but not limited to the acquisition of land and construction of tourism facilities spots. The potential investments, if materialized, are expected to enable the Group to expand its travel-related business vertically as well as generate synergy effects on the existing businesses of the Group. The Group will continue to take prudent and cautious steps in business development and seek for the interests of the Group and shareholders at a whole.

In the future, the "Travel +" (Travel + Integrated Development + Finance) will be the main revenue driver of the Group, and therefore the Company will make vigorous effort to develop "Travel +" business, with the focus on investment in travel-related resources, increasing its market share in the tourism market and integrated development industries and enhancing its influence in the financial services business, aiming to turn the Group into a comprehensive service provider.

Business Review

Diversified Tourism Products and Services Business

Diversified tourism products and services business is still the main stream of the Group's revenue. In 2018, despite facing all challenges from slowing down economic growth, decline in demand of high cabin corporate travel and intense competition from on-line travel agencies, the Group kept on making progress in diversified tourism products and services business with a slightly increase in turnover of approximately 5.10% from approximately HK$236.29 million for the year ended 31 December 2017 to approximately HK$248.34 million for the Year. The loss of the diversified tourism products and services business increased from approximately HK$2.14 million for the year ended 31 December 2017 to approximately HK$5.29 million for the Year. The increase in loss was mainly due to the acquisition of a subsidiary, Dongsheng Beijing, which engage in the provision of the travel-related services in the PRC during the Year. As this subsidiary is in the initial development stage, there was an operating loss for the Year. This led to the negative effect on the results of the diversified tourism products and services business.

The competition in diversified tourism products and services business was still keen and the prices of the air-tickets and other services were facing pressure. The stability in turnover is mainly due to the experienced sales and marketing staff who capture of many new customers who are not only the individual but also the corporate clients, in relation to certain high profitable tourism products, including MICE (Meeting, Incentives, Conferences and Exhibitions) services, cruise services and hotel booking services.

In order to promote diversified tourism products and services business, the Group has worked with various global business partners to establish the travel management solutions which will provide effective and efficient scheme to our corporate clients which are tailor-made to their needs. In addition, the Group has also sponsored our staff to attend the tourism-related courses operated by the well-known institutes in order to enhance their knowledge, service quality and service standards in the area of tourism and travel-related business.

Integrated Development Business

The Group started to operate the integrated development business since the completion of the acquisition of a piece of land in New Zealand since 2017. The Group planned to develop this piece of land in certain phases and the first phase is self-serviced units and residential units. During the Year, the Group expanded its market shares by completing the acquisition of certain companies in the PRC, namely Dakun Zhifang, Tu Men Travel and Yidao Town Real Estate, which principally engage in the operation and management of tourist attractions and culture spots in the PRC. As the integrated development project in New Zealand is under progress and the acquisition of companies in the PRC, Tu Men Travel and Yidao Town Real Estate, was only completed in the second half of the Year, there was no revenue recorded for the Year. The loss of integrated development business was slightly decreased from approximately HK$0.08 million for the year ended 31 December 2017 to approximately HK$0.06 million for the Year.

Given (i) the first phase of New Zealand project is expected to be completed in the second half of 2019; and (ii) the acquisition of the tourist spots and culture spots in the PRC namely the acquisitions of Dakun Zhifang, Tu Men Travel and Yidao Town Real Estate having been completed, the Board believes that additional revenue would be brought to the Group for the year ending 31 December 2019 and the operating performance will be improved accordingly.

Financial Services Business

The Group owns the licensed corporations which carry on Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the Securities Future Ordinances (Chapter 571 of the Laws of Hong Kong). In 2018, the uncertainty due to the on-going Sino-US Trade War has brought the negative effect to the global capital market. The turnover of the financial services business suffered from a deteriorate impact. The turnover of financial services business decreased significantly from approximately HK$1.74 million for the year ended 31 December 2017 to approximately HK$0.33 million for the Year, representing a decrease of approximately 81.03%. The loss of financial services business was narrowed from the loss of approximately HK$2.80 million for the year ended 31 December 2017 to the profit of approximately HK$0.49 million for the Year. The decrease in loss was mainly due to the disposed a subsidiary named MAAM Limited at gain and reduction in administration expenses during the Year.

As the capital market is characterized by turbulence and intranquility, in order to get survival in the industry, the Group has put effort to resharp the financial platform and services to our ultra high net worth individual and institutional clients. The Group expects the effect in the financial and equity market from the on-going Sino-US Trade War will be minimized its importance gradually. The Board will keep caution on the market situation and alter the business strategy along with the market conditions.

Investment Holding Business

Investment holdings business of the Group mainly represents the interests in associates of the Group. One of our associates engages in the provision of tourism-related and ticket-sales-related services and provision of brand name used by the franchisees in the PRC. As the economy growth in the PRC was not as rapid as few years ago and the demand of tourism in local and in overseas has been slowing down gradually. Despite this associate adopts cost control policies strictly, it still suffered from the loss for the Year, which were mainly due to the losses on disposal of a subsidiary and an associate recorded by this associate. As a result, the share of losses of associates were recorded a significant increase of approximately 28.03% from approximately HK$13.52 million for the year ended 31 December 2017 to approximately HK$17.31 million for the Year.

Jewellery Business

The Group ceased to engage in the Jewellery Business since September 2018. The Jewellery Business was not a core business of the Group and the Board did not expect that this business will be the meaningful driver of or contributor to the operating results of the Group with reference to its performance in previous years.

The turnover of Jewellery Business was slightly increased from approximately HK$26.54 million for the year ended 31 December 2017 to approximately HK$26.98 million for the Year, representing an increase of approximately 1.66%. The loss of Jewellery Business was improved from the loss of approximately HK$3.13 million for the year ended 31 December 2017 to the profit of approximately HK$2.10 million the for the Year. The decrease in loss was mainly due to the gain on disposal of Jewellery Business of approximately HK$2.85 million and eight months results was recorded in the Year while twelve months results was recorded for the year ended 31 December 2017.

Financial Analysis

a. Operating Performance

Continuing operations

The continuing operations of the Group are the provision of diversified tourism products and services, the provision of integrated development business, the provision of financial services and investment holding business.

Turnover

Revenue was approximately HK$248.67 million for the Year while it was approximately HK$238.03 million (restated) for the year ended 31 December 2017, representing an increase of approximately 4.47%.

	2018		2017	
	HK$'000	***%***	*HK$'000*	*%*
Diversified tourism products and services	**248,342**	**99.87**	236,289	99.27
Financial services	**330**	**0.13**	1,741	0.73
Total	**248,672**	**100.00**	238,030	100.00

The turnover of the Group increased slightly as compared with 2017. The increase in the Group's turnover was primarily contributed from the increase in turnover from the diversified tourism products and services segment.

The turnover generated from the diversified tourism products and services segment represented approximately 99.87% of total turnover of the Group in 2018, while it represented approximately 99.27% of total turnover of the Group in 2017. Under the diversified tourism products and services segment, the turnover was increased by approximately 5.10%, which amounted from approximately HK$236.29 million in 2017 to approximately HK$248.34 million in 2018. It was mainly attributed to the newly acquired subsidiary, Dongsheng Beijing, in the PRC which engages in the provision of travel-related services in the Year.

The turnover generated from the financial services segment represented approximately 0.13% of total turnover of the Group in 2018, while it represented approximately 0.73% of total turnover of the Group in 2017. The turnover was decreased by approximately 81.03%, which amounted from approximately HK$1.74 million in 2017 to approximately HK$0.33 million in the Year. The decrease in turnover is mainly due to the facts that the uncertainty of the on-going Sino-US Trade War which has brought the negative effect to the global capital market.

Gross profit

The gross profit margin (excluding the financial service income) was approximately 7.16% for the Year as compared with approximately 7.18% for the year ended 31 December 2017. The decrease in gross profit margin was mainly attributed to the increase in cost of sales in diversified tourism products and services business such as costs of tickets, but the increase in cost of sales cannot be shifted to customers.

Loss for the year

A loss from continuing operations of approximately HK$59.99 million was recorded for the Year as compared with a loss of approximately HK$52.90 million for the year ended 31 December 2017, representing an increase of approximately 13.40%. The increase in loss were primarily attributable to:

i. the increase in the share of losses of associates of the Group by approximately HK$3.79 million from approximately HK$13.52 million for the year ended 31 December 2017 to approximately HK$17.31 million for the Year due to the losses on disposal of a subsidiary and an associate in aggregate of approximately HK$13.64 million recorded by an associate, China Comfort;

ii. the increase in finance costs by approximately HK$4.72 million from net exchange gain of approximately HK$2.55 million for the year ended 31 December 2017 to net exchange loss of approximately HK$2.17 million arising from RMB saving deposits for the Year due to the depreciation of RMB during the Year;

iii. the increase in other income by approximately HK$1.03 million from approximately HK$4.37 million for the year ended 31 December 2017 to approximately HK$5.40 million for the Year mainly due to the interest income from a loan due from an associate calculated at an effective interest rate; and

iv. the increase in gain on disposal of a subsidiary from HK$Nil for the year ended 31 December 2017 to approximately HK$0.49 million for the Year due to the disposal of an inactive company incorporated in the Cayman Islands at a cash consideration of US$1 (equivalent to approximately HK$8) during the Year.

Geographical information

The principal source of turnover from continuing operations of the Group was derived from the diversified tourism products and services segment and the turnover of this segment which accounted for approximately 98.67% (2017: approximately 100%) of the Group's total turnover were generated from Hong Kong for the Year.

Discontinued operation

The discontinued operation of the Group was the Jewellery Business.

The turnover generated from the Jewellery Business was increased by approximately 1.66%, which amounted from approximately HK$26.54 million for the year ended 31 December 2017 to approximately HK$26.98 million in the Year. The increase in turnover is mainly due to the facts that the negative effect of the blocked fences along the road in front of the flagship store in Nanjing has been removed gradually.

The gross profit margin of the trading and retail of jewellery segment was approximately 22.18% for the Year as compared with approximately 23.06% for the year ended 31 December 2017. The decrease in gross profit margin was mainly due to the increase in cost of jewellery and other direct costs, but the increase in cost of sales cannot be shifted to customers.

The profit of the trading and retail of jewellery segment for the Year was approximately HK$2.10 million as compared with a loss of approximately HK$3.13 million for the year ended 31 December 2017, representing an increase of approximately 167.09%. The increase in profits were attributable to the gain on disposal of the trading and retail of jewellry business of approximately HK$2.85 million and the decrease in operating loss by approximately HK$2.15 million for the Year.

b. Asset Quality

On 31 December 2018, the assets of the Group mainly included cash and cash equivalents, restricted bank deposits, trade receivables, inventories, interests in associates, other financial assets, intangible assets, lease prepayments and property, plant and equipment. The aggregated amount of cash and cash equivalents and restricted bank deposits were approximately HK$200.67 million (2017: approximately HK$401.14 million), of which approximately HK$34.41 million (2017: approximately HK$49.85 million), approximately HK$0.73 million (2017: approximately HK$20.81 million) and approximately HK$0.95 million (2017: approximately HK$8.95 million) were denominated in Renminbi ("**RMB**"), New Zealand dollars ("**NZD**") and the United States dollars ("**USD**"), respectively.

On 31 December 2018, the amount of trade receivables of approximately HK$25.58 million (2017: approximately HK$28.16 million) were mainly due from the customers of a subsidiary of the Company, named Four Seas Tours Limited, which is one of the mostly well-known and large travel related enterprises in Hong Kong. The amount of its trade receivables with age below 90 days was approximately HK$23.06 million (2017: approximately HK$25.77 million), which represented approximately 90.16% (2017: approximately 91.51%) of total trade receivables on 31 December 2018.

On 31 December 2018, the amount of prepayments, deposits and other receivables were approximately HK$81.68 million (2017: approximately HK$15.25 million), which mainly represented the loans to associates of approximately HK$62.90 million (2017: HK$Nil), prepayments on a carnival tourism project of approximately HK$6.76 million (2017: HK$Nil) and prepayments on an acquisition cost of approximately HK$4.63 million (2017: approximately HK$11.68 million).

On 31 December 2018, the amount of inventories was approximately HK$69.99 million (2017: approximately HK$63.79 million), which mainly represented a piece of land in New Zealand of approximately HK$59.65 million (2017: approximately HK$50.47 million).

On 31 December 2018, interests in associates amounted to approximately HK$391.25 million (2017: approximately HK$399.27 million), which was mainly attributable to the intangible assets, including China Comfort's trademark and distribution network, owned by that associate, China Comfort. The decrease in the interests in associates were due to the losses on disposal of a subsidiary and an associate in aggregate of approximately HK$13.64 million recorded by an associate, China Comfort, during the Year.

On 31 December 2018, other financial assets was approximately HK$71.06 million (2017: HK$Nil), which representing a loan to an associate, Dakun Zhifang, with principle amount of approximately RMB71.10 million (equivalent to approximately HK$80.95 million) which is unsecured, non-interest-bearing and repayable on 21 October 2021.

On 31 December 2018, intangible assets was approximately HK$18.13 million (2017: approximately HK$16.39 million). Intangible assets includes securities licence, travel licence and software. The increased in intangible assets which mainly represented the travel licence of approximately HK$1.77 million acquired through the acquisition of a subsidiary, Dongsheng Beijing, during the Year.

On 31 December 2018, lease prepayments were approximately HK$27.68 million (2017: HK$Nil), which represented the land use rights of approximately HK$27.68 million acquired through the acquisition of a subsidiary, Tu Men Travel, during the Year.

On 31 December 2018, property, plant and equipment was approximately HK$103.58 million (2017: approximately HK$2.02 million), which mainly represented the buildings and other equipment of approximately HK$102.21 million acquired through the acquisition of a subsidiary, Tu Men Travel, during the Year.

c. Liability Structure

On 31 December 2018, the liabilities of the Group mainly included trade payables, other payables and accruals and short-term borrowings. The amount of trade payables amounted to approximately HK$26.70 million (2017: approximately HK$33.39 million). The amount of the trade payables with age below 90 days was approximately HK$26.70 million (2017: approximately HK$33.23 million), which represented approximately 100.00% (2017: approximately 99.50%) of the total trade payables on 31 December 2018.

On 31 December 2018, other payables and accruals was approximately HK$170.21 million (2017: approximately HK$22.66 million), which mainly represented amounts due to related parties of approximately HK$51.00 million (2017: approximately HK$1.19 million), consideration payable regarding the acquisition of Tu Men Travel and Yidao Town Real Estate of approximately HK$42.24 million (2017: HK$Nil) and land and construction costs payable of approximately HK$45.84 million (2017: HK$Nil).

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group's operations and investments continued to be mainly financed by internal resources and short-term borrowings. In addition, proceeds raised from the disposal of subsidiaries was an extra funding to the Group. Other than the funding assigned to the specific projects, the usage of funding are monitored by the Company. On 31 December 2018, the aggregated amount of the cash and cash equivalent and the restricted bank deposit of the Group were to approximately HK$200.67 million (2017: approximately HK$401.14 million), representing a decrease of approximately 49.98% (2017: approximately 9.0%) as compared to 31 December 2017.

The decrease of cash and cash equivalent and the restricted bank deposit was mainly attributable to (i) the payment of approximately HK$61.61 million as the acquisition costs of companies, Dakun Zhifang and Tu Men Travel and Yidao Town Real Estate, in the PRC; (ii) an interest-free loan of approximately HK$80.95 million lend to an associate, Dakun Zhifang; and (iii) the payment of the distribution of PCS of approximately HK$26.08 million issued in March 2016 and October 2016.

On 31 December 2018, the short-term borrowings of the Group was approximately HK$13.23 million (2017: approximately HK$8.95 million), all of which were denominated in RMB, representing the borrowing from related parties of approximately HK$13.23 million (2017: HK$Nil), which is unsecured, bearing interest at a rate of 4.35% per annum and repayable within one year. On 31 December 2017, the short-term borrowings were the bank loans of approximately HK$4.80 million, which were secured with the effective interest rate of approximately 4.35% per annum and other short-term borrowings of approximately HK$4.15 million, which were unsecured and bearing rate at 6.5% per annum.

On 31 December 2018, the Group had a current ratio of approximately 1.79 (2017: approximately 7.82). The gearing ratio was not applicable as the Group had net cash and cash equivalents of HK$175.65 million (2017: approximately HK$348.75 million) on 31 December 2018.

FOREIGN EXCHANGE EXPOSURE

Since the transactions of the Group were mainly denominated in HK$, RMB and NZD, the Group is exposed to foreign currency risk on the cash and cash equivalents which are denominated in RMB and NZD whose functional currency is HK$. During the Year, the Group had reviewed the hedged product in respect of foreign currency exposure of NZD but no hedging action was performed by the Group. The Directors will monitor the related foreign currency exposure and are prepared to take appropriate hedging action as and when necessary.

CAPITAL COMMITMENTS

On 31 December 2018, the Group had capital commitments relating to investment in equity securities of approximately HK$82.66 million (equivalent to approximately RMB72.60 million) (2017: HK$4.8 million (equivalent to approximately RMB4.0 million)).

ACQUISITION AND INVESTMENTS

a) Acquisition of 100% Interest in Dongsheng Beijing

Pursuant to an agreement dated 3 January 2018 entered into between Orient Victory Cultural & Tourism Group Co., Limited* (東勝文化旅遊集團有限公司), a company incorporated in the PRC ("**Orient Victory Cultural & Tourism**") and Beijing Orient Victory Hua Yu Healthy Management Co., Limited* (北京東勝華譽健康管理有限公司) ("**Orient Victory Hua Yu**"), an indirect wholly-owned subsidiary of the Company, Orient Victory Cultural & Tourism transferred 100% interest in Dongsheng Beijing to Orient Victory Hua Yu at a cash consideration of approximately HK$1.20 million. All conditions precedent set out in the agreement have been fulfilled and completion of the acquisition of 100% interest in Dongsheng Beijing took place on 14 May 2018 in accordance with the terms and conditions of the agreement.

b) Acquisition of 40% Interest in Great Ascent and Yiersan

Reference is made to the circular of the Company dated 10 October 2018 in relation to the acquisitions of 40% interest in each of Great Ascent and Yiersan (collectively the "**Hongshan Acquisition**"), The Hongshan Acquisition was approved by the independent shareholders of the Company in the extraordinary general meeting held on 30 October 2018.

Pursuant to the agreements for the acquisition of Great Ascent and Yiersan (collectively the "**Hongshan Acquisition Agreement**"), the vendors will transfer 40% interest in each of Great Ascent and Yiersan to the Company at an aggregate cash consideration of approximately HK$65.80 million (equivalents to approximately RMB53.6 million). As at the date of this announcement, the conditions precedent under the Hongshan Acquisition Agreement have not been fulfilled in full and completion of the Hongshan Acquisition Agreement will take place when all the conditions precedent have been fulfilled.

c) **Acquisition of 40% Interest in Dakun Zhifang and Shareholders' Loan**

Reference is made to the announcement of the Company dated 12 June 2018 in relation to, inter alia, the acquisition of 40% interest in Dakun Zhifang.

Pursuant to an agreement dated 12 June 2018 (the "**Dakun Zhifang Agreement**") entered into between Mr. Ji Hai (冀海), Ms. Ji Ling (冀玲) and Zhangjiakou Chongliqu 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 ("**Zhangjiakou Hua Yu**"), Zhangjiakou Hua Yu shall pay RMB40.9 million (equivalent to approximately HK$50.2 million) to Mr. Ji Hai (冀海) and Ms. Ji Ling (冀玲) and they shall transfer 40% interest in Dakun Zhifang and 40% interest in the shareholders' loan to Zhangjiakou Hua Yu. All conditions precedent set out in the Dakun Zhifang Agreement have been fulfilled and completion of the acquisition of 40% interest in Dakun Zhifang and 40% interest in the shareholders' loan took place on 7 August 2018 in accordance with the terms and conditions of the Dakun Zhifang Agreement.

d) **Acquisition of 55% Interest in Tu Men Travel and 75% Interest in Yidao Town Real Estate**

Reference is made to the announcement of the Company dated 18 December 2018 in relation to, inter alia, the acquisition of 55% interests in Tu Men Travel and 75% interest in Yidao Town Real Estate.

Pursuant to an agreement dated 18 December 2018 (the "**Tu Men Agreement**") entered into between Mr. Wang Aijun (王愛軍), Mr. Zhang Wenxue (張文學) and Mr. Cheng Tonghui (成同輝) and Hebei Tengming Tourism Development Co., Ltd.* (河北滕鳴旅遊開發有限公司) (collectively as "**Vendors**"), an indirect wholly-owned subsidiary of the Company ("**Hebei Tengming**"), the Vendors shall transfer 55% interest in Tu Men Travel to Hebei Tengming at a cash consideration of approximately HK$53.6 million (equivalents to RMB47.1 million) and an agreement dated 18 December 2018 (the "**Yidao Town Real Estate Agreement**") entered into between Eco-Town Development and Operation Limited* (河北東勝生態小鎮開發運營有限公司), a company incorporated in the PRC ("**Eco-Town Development**") and Hebei Xinmen Real Estate Development Co., Ltd.* (河北鑫門房地產開發有限公司), an indirect wholly-owned subsidiary of the Company ("**Xinmen Real Estate**"), Eco-Town Development shall transfer 75% interest in Yidao Town Real Estate to Xinmen Real Estate at a cash consideration of approximately HK$0.01 million (equivalents to RMB0.01 million). All conditions precedent set out in the Tu Men Agreement and Yidao Agreement have been fulfilled and completion of the acquisitions of 55% interest in Tu Men Travel and 75% interest in Yidao Town Real Estate took place on 19 December 2018 in accordance with the terms and conditions of the Tu Men Agreement and the Yidao Town Real Estate Agreement.

e) **Disposal of 85% Interest in King Link Investments Limited ("King Link")**

Reference is made to the announcement of the Company dated 23 July 2018 in relation to, inter alia, the disposal of 85% interest in King Link.

Pursuant to an agreement dated 23 July 2018 entered into between South China Financial Holdings Limited ("**South China**"), a company incorporated in Hong Kong, whose shares are listed on The Stock Exchange of the Hong Kong Limited (the "**Stock Exchange**") and the Company, the Company transferred 85% interest in King Link to South China at a cash consideration of approximately HK$4.8 million. All conditions precedent set out in the agreement have been fulfilled and completion of the disposal of 85% interest in King Link took place on 18 September 2018 in accordance with the terms and conditions of the agreement.

PLEDGED OF ASSETS

On 31 December 2018, the Group had pledged both of the entire interest in Shenzhen Dong Sheng Hua Yu Commercial Management Company Limited* (深圳東勝華譽商業管理有限公司), which is an indirect wholly-owned subsidiary of the Company and the entire issued share capital of Donghui Hong Kong Holdings Limited which is an indirect wholly-owned subsidiary of the Company, to secure the issue of the perpetual convertible securities issued on 30 March 2016 in an aggregate principal amount of approximately HK$170.00 million (31 December 2017: approximately HK$170.00 million). Please refer to the Company's announcement dated 30 March 2016 and circular dated 29 January 2016 for details.

On 31 December 2017, amount of guaranteed deposits, other receivable and inventories of approximately HK$33.25 million, approximately HK$0.59 million and approximately HK$8.40 million, respectively of the Group were pledged as collateral for borrowings obtained by its subsidiaries and associate.

CONTINGENT LIABILITIES

On 31 December 2018, the Group had no contingent liabilities. On 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.

NUMBER AND REMUNERATION OF EMPLOYEES

On 31 December 2018, the total number of employees of the Group was approximately 200 (31 December 2017: approximately 130). Staff costs (including Directors' emoluments) amounted to approximately HK$35.66 million for the Year (31 December 2017: approximately HK$31.51 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 the payment of any final dividend for the Year (2017: Nil).

EVENTS AFTER THE REPORTING PERIOD

(a) Top-Up Placing and Subscription

On 25 January 2019 (after trading hours), OVRE as vendor and certain number of third-party individuals as places (the "**Placees**") entered into the sale and purchase agreement (the "**SPA**"), under which OVRE agreed to sell and the Placees agreed to purchase the Shares of up to 156,460,000 Shares (the "**Placing Shares**") at HK$0.145 per Share. On the same date, the Company as issuer entered into the subscription agreement with OVRE as subscriber (the "**Subscription Agreement**") for the subscription of 156,460,000 Shares at HK$0.145 per Share (the "**Subscription**").

Upon completion of the placing under the SPA and the Subscription under the Subscription Agreement and assuming the sale and purchase of all the Placing Shares will be completed, the aggregate gross proceeds from the Subscription will be approximately HK$22,686,700 and the Company intends to use the net proceeds of approximately HK$22,186,700 from the Subscription for (i) pursuing the strategy of the Company to develop travel services and characteristic towns and to expand project resources and business development opportunities; (ii) improving service quality of existing travel services projects of the Company; and (iii) general working capital use of the Company.

The Subscription would constitute a connected transaction for the Company that is exempted from all connected transaction requirements pursuant to Rule 14A.92(4) if it is completed within 14 days after the execution of the SPA. As such, the Subscription is not subject to Shareholders' approval as the Subscription Shares will be issued under the general mandate granted to the Directors pursuant to an ordinary resolution passed at the Company's annual general meeting held on 25 June 2018.

For details, please refer to the announcement of the Company dated 25 January 2019.

(b) Change in control in the board of directors in Dakun Zhifang and Hongshan

(i) Change in composition of the board of directors of Dakun Zhifang

Pursuant to a shareholders' resolution of Dakun Zhifang passed on and the revised articles of association dated 29 March 2019, the composition of the board of directors of Dakun Zhifang has been amended. Pursuant to these revisions, the directors of the Company consider that the Group will have the power to control Dakun Zhifang through its power to control the board of directors of Dakun Zhifang from that date onwards.

(ii) Revisions to shareholder agreements on the Group's acquisitions of interests in other entities

Subsequent to the announcements made by the Company on 22 January 2018 and 6 June 2018 in relation to the Group's acquisitions of 40% interests in Great Ascent and Yiersan, respectively, the Company and the other shareholders of these two entities have re-negotiated certain terms as stipulated in the previous agreements, including but not limited to revisions made to the power to appoint the board of directors of the respective entities, and entered into revised agreements on 29 March 2019. Pursuant to these revised agreements, the directors of the Company consider that the Group will have the power to control these two entities through its power to control the respective entities' board of directors upon completion of the acquisitions. At the date of this announcement, the above acquisitions have yet to be completed.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the "Corporate Governance Code and Corporate Governance Report" (the "**CG Code**") contained in Appendix 14 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange throughout the Year except for a deviation from code provisions A.2.1 and A.6.7 of CG Code.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. For the period from 11 May 2018 to date of this Annual Report, despite the responsibilities of the chairman and the chief executive officer of the Company vested in Mr. Shi Baodong, all major decisions are made in consultation with the Board. The Board considers that there is sufficient balance of power; and the current corporate arrangement maintains a strong management position of the Company. Save as the deviation from the code provision A.2.1 of the CG Code, in the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code during the Period and, where appropriate, the applicable recommended best practices of the CG Code.

The code provision A.6.7 of the CG Code requires that the independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders. Ms. Song Sining, Mr. Dong Xiaojie and Mr. He Qi were unable to attend the annual general meetings of the Company held on 25 June 2018 and Ms. Song Sining, Mr. Dong Xiaojie, Mr. He Qi and Ms. Suei Fengjih were unable to attend the extraordinary general meetings of the Company held on 30 October 2018 due to other important engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

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

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the Listing Rules. The Audit Committee presently comprises two independent non-executive Directors, namely Mr. Suei Feng-jih (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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on this preliminary announcement.

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 2019

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. Suei Feng-jih.