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ORIENT VICTORY TRAVEL GROUP COMPANY LIMITED

東勝旅遊集團有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 265)

CONTINUING CONNECTED TRANSACTION IN RELATION TO SERVICE AGREEMENT

SERVICE AGREEMENT

Reference is made to the announcements of the Company dated 30 November 2016 and 15 December 2016 in relation to, among other things, the continuing connected transaction involving the Old Service Agreement entered into between Four Seas and HK Four Seas in relation to the provision of the Services provided by HK Four Seas to Four Seas. The Board is pleased to announce that, on 28 August 2017 (after trading hours), Four Seas, an indirectly non-wholly owned subsidiary of the Company, and HK Four Seas renewed the Old Service Agreement and entered into the Service Agreement, pursuant to which HK Four Seas agreed to, among other things, provide Four Seas, and Four Seas agreed to be provided, the Services for a term commencing on 4 September 2017 and ending on 3 September 2018 (both dates inclusive).

IMPLICATIONS UNDER LISTING RULES

Since Four Seas Travel (BVI) Limited holds 35% shareholding in Four Seas, it is a connected person of the Company at the subsidiary level. HK Four Seas, a wholly-owned subsidiary and an associate of Four Seas Travel (BVI) Limited, is hence a connected person of the Company at the subsidiary level. The transactions contemplated under the Service Agreement are therefore continuing connected transactions under Chapter 14A of the Listing Rules.

As (i) HK Four Seas is a connected person at the subsidiary level of the Company; (ii) the continuing connected transactions contemplated under the Service Agreement are on normal commercial terms; and (iii) the Board (including all the independent non-executive Directors) has approved the continuing connected transactions and confirmed that the terms of the continuing connected transactions are fair and reasonable and that the continuing connected transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, according to Rule 14A.101 of the Listing Rules, the continuing connected transactions contemplated under the Service Agreement are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements.

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Scope of the Services

Pursuant to the Service Agreement, Four Seas agreed to appoint HK Four Seas as its service provider to provide, and HK Four Seas agreed to provide to Four Seas, the following services:

- (a) provision of information technology and administrative resources and services including but not limited to the use of telephone system with designated phone numbers, email addresses, carrier reservation systems, mid and back office system, and webpage design and maintenance;
- (b) provision of necessary hardware including computers, computer hardware and software systems and the necessary maintenance for such hardware and software provided;
- (c) licensing of such trademarks owned by HK Four Seas to be used by Four Seas;
- (d) purchase of air tickets through the International Air Transport Association and such other agencies, which will then be sold to Four Seas on normal commercial terms; and
- (e) such other back-office support services and technical support services necessary to support the smooth operation of Four Seas.

Service Term

Pursuant to the Service Agreement, subject to early termination by any party to the Service Agreement in accordance with the terms thereof, the Service Agreement shall have a term commencing on 4 September 2017 and ending on 3 September 2018 (both dates inclusive) (the “**Service Term**”).

Four Seas and HK Four Seas shall have the right to terminate the Service Agreement by giving the other party not less than three months’ prior written notice to that effect.

Service Fee

Pursuant to the Service Agreement, Four Seas agrees to pay a monthly fee of HK\$100,000 to HK Four Seas for the Services (the “**Service Fee**”).

The Service Fee of HK\$100,000 shall be payable on the last business day of each month by Four Seas to HK Four Seas.

Tickets Fee and Agency Fee

Pursuant to the Service Agreement, in relation to the purchase of air tickets by HK Four Seas from airline companies through IATA and other agencies to be sold to Four Seas, it is agreed that the air tickets shall be sold by HK Four Seas to Four Seas at cost provided that Four Seas shall pay to HK Four Seas an agency fee to be determined by the parties from time to time on an arm’s length basis in good faith and with reference to the credit terms (the “**Agency Fee**”), if any, provided that such purchase price and such other terms of the contract constituted by the purchase order so accepted by HK Four Seas shall be on normal and usual commercial terms and comparable to those applicable to the supply of the same type of air tickets by HK Four Seas to independent third party purchasers, if any.

Four Seas has agreed that it shall purchase a minimum of 6,600 air tickets from HK Four Seas every 3 months throughout the Service Term (the “**Minimum Air Tickets**”) and the average minimum purchase price of each of the Minimum Air Tickets shall be HK\$3,400.

Grant of licence

In consideration of Four Seas entering into the Service Agreement, HK Four Seas continues to grant to Four Seas a royalty-free worldwide licence to use the trademarks, trade names, business names, company names, logos, domain names and designs that are currently used and have been used by Four Seas immediately before the date of the Service Agreement, including but without limitation to any of the following words or names or any combination thereof: “Four Seas”, “Four Seas Travel”, “四海” and/or “四海旅遊”.

ANNUAL CAPS

The details of the Annual Caps are set out as follows:

Period	Service fee <i>HK\$'million</i>	Tickets Fee and Agency fee <i>HK\$'million</i>	Annual Caps (being the sum of the Service Fee and the Tickets Fee and Agency Fee) <i>HK\$'million</i>
From 4 September 2017 to 31 December 2017	HK\$0.40	HK\$95.27	HK\$95.67
From 1 January 2018 to 3 September 2018 (being the end date of the Service Term)	HK\$0.80	HK\$208.75	HK\$209.55

The Annual Caps were determined based on (i) the fixed monthly Service Fee of HK\$100,000, which was determined with reference to the actual amount of overheads shared by Four Seas (including telecommunication, software of airlines reservation and hardware and software system) based on the number of headcount of Four Seas and the estimated cost of Four Seas to maintain its own email domain and website; and (ii) the ticket and agency fee payable by Four Seas to HK Four Seas for the sales of air tickets by HK Four Seas to Four Seas, which was determined with reference to the air ticket fees based on the estimated gross purchase from HK Four Seas, taking into account the historical gross purchase amount of sales of air tickets by HK Four Seas to Four Seas and an annual growth rate of 6% for the relevant period, and an amount equivalent to 1.5% on gross purchase as agency fee.

The scope of the Services under the Old Service Agreement and the Service Agreement and the terms between the Old Service Agreement and the Service Agreement were the same.

Under the Service Agreement, Four Seas has committed to purchase the Minimum Air Tickets every three months from HK Four Seas throughout the Service Term. As Four Seas bears risk in relation to such minimum air ticket purchase volume under the Service Agreement, Four Seas is regarded as a principal for accounting purpose and the sale of air tickets by Four Seas would be recognised as revenue on a gross basis and the corresponding costs of air tickets paid to HK Four Seas would be recognised as cost of goods sold.

The air tickets will be provided by HK Four Seas at cost and the Agency Fee shall be determined by the parties from time to time on an arm's length basis in good faith and with reference to the credit terms, if any, provided that such purchase price and such other terms of the contract constituted by the purchase order so accepted by HK Four Seas shall be on normal and usual commercial terms and comparable to those applicable to the supply of the same type of air tickets by HK Four Seas to independent third party purchasers, if any.

Should the fees payable by Four Seas to HK Four Seas exceed the above Annual Caps in any year during the Service Term, the Company will revise the Annual Caps in compliance with the relevant provisions under Chapter 14A of the Listing Rules.

The historical amounts paid by Four Seas to HK Four Seas are as follows:

Year	Tickets Fee and Agency Fee <i>HK\$'million</i>	Service Fee <i>HK\$'million</i>	Total <i>HK\$'million</i>
2014	HKD1.66	HKD0.39	HKD2.05
2015	HKD5.15	HKD1.20	HKD6.35
2016	HKD62.46	HKD1.20	HKD63.66
2017 (up to June 2017)	HKD118.41	HKD0.60	HKD119.01

The previous annual caps have not been exceeded at any point in time. And none of directors of the Company have any material interest in the Service Agreement.

INTERNAL CONTROL PROCEDURES

Four Seas makes online air ticket fare searches through various independent air tickets online search engines on a regular basis. The fare search results will then be compared and evaluated against the Service Fee and terms under the Service Agreement from time to time. Four Seas shall approve and make final decisions as to the suppliers and will ensure the price and terms of the Service Agreement are no less favourable to the Group than those offered by independent suppliers.

Furthermore, as HK Four Seas is not the sole supplier of air tickets to Four Seas, the Company considers that it is in a position to ensure that transactions conducted under the Service Agreement would be on normal commercial terms and not prejudicial to the interests of the Company and its shareholders.

The Directors consider that the above procedures and controls can ensure the Service Agreement is on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders as Four Seas can readily obtain the market price information from time to time for assessment, and if the terms and prices offered by independent suppliers is better than that of HK Four Seas, Four Seas can engage other suppliers at its own discretion.

INFORMATION ON THE COMPANY, FOUR SEAS AND HK FOUR SEAS

The Company is a company incorporated under the laws of the Cayman Islands with limited liability. The Group is principally engaged in sale of air tickets and other travel related services, trading and retail of jewellery products, provision of financial services and other investment holding business.

Four Seas is a company incorporated under the laws of Hong Kong with limited liability is a non-wholly owned subsidiary of the Company and is principally engaged in sale of air tickets and other travel-related services for corporate clients. As at the date of this announcement, the issued share capital of Four Seas is owned as to 65% by the Group and 35% by Four Seas Travel (BVI) Limited.

HK Four Seas is a company incorporated under the laws of Hong Kong with limited liability and is principally engaged in sale of air tickets and other travel-related services principally provided to travel agents and companies. As at the date of this announcement, HK Four Seas is a wholly-owned subsidiary of Four Seas Travel (BVI) Limited.

REASONS FOR ENTERING INTO OF SERVICE AGREEMENT

HK Four Seas has so far during the term of the Old Service Agreement given Four Seas a credit period of 40 days, which was longer and more favourable than normal market term. Despite the usual credit period of 15 days in the travel industry, Four Seas and HK Four Seas agreed that the existing arrangement regarding the credit period under the Service Agreement shall remain at 40 days (the “**Credit Term**”) provided that Four Seas shall commit to purchase a minimum of 6,600 air tickets from HK Four Seas every 3 months.

The Directors (including all the independent non-executive Directors) are of the opinion that the continuing connected transactions with HK Four Seas contemplated under the Service Agreement were entered into: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms (on arm’s length basis) or on terms no less favourable than those terms offered by independent third parties to the Group for similar products and services in its ordinary and usual course of business; and (iii) that the terms of the Service Agreement (including the Annual Caps) are fair and reasonable. The Directors (including all the independent non-executive Directors) are of the view that the continuing connected transactions (including the Annual Caps) are in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Since Four Seas Travel (BVI) Limited holds 35% shareholding in Four Seas, it is a connected person of the Company at the subsidiary level. HK Four Seas, a wholly-owned subsidiary and an associate of Four Seas Travel (BVI) Limited, is hence a connected person of the Company at the subsidiary level. The transactions contemplated under the Service Agreement are therefore continuing connected transactions under Chapter 14A of the Listing Rules.

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DEFINITIONS

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

“Annual Caps”	annual caps in respect of the fees payable by Four Seas to HK Four Seas for the provision of the Services
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of directors of the Company
“Company”	Orient Victory Travel Group Company Limited, a company incorporated in the Cayman Islands, shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“Four Seas”	Four Seas Tours Limited (四海旅行社有限公司), a company incorporated in Hong Kong with limited liability, an indirectly non-wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK Four Seas”	Hong Kong Four Seas Tours Limited (香港四海旅行社有限公司), a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Four Seas Travel (BVI) Limited, a connected person of the Company at the subsidiary level
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Old Service Agreement”	the service agreement dated 30 November 2016 entered into between Four Seas and HK Four Seas
“PRC”	the People’s Republic of China
“Services”	services to be provided by HK Four Seas to Four Seas pursuant to the Service Agreement which include sale of air tickets and other travel-related services

“Service Agreement”	the service agreement dated 28 August 2017 entered into between Four Seas and HK Four Seas
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 28 August 2017

As at the date of this announcement, the Board of the Company 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.