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## **ORIENT VICTORY TRAVEL GROUP COMPANY LIMITED**

### **東勝旅遊集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 265)**

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

### **FINANCIAL HIGHLIGHT**

The Board hereby announces the unaudited interim results of the Group for the Period and set forth below a summary of the results:

- Revenue was HK\$140.74 million for the Period, representing a significant increase of 371.27% as compared with the corresponding period in 2016. The increase was mainly attributable to the fact that the sale of air tickets was recognised on a gross basis instead of a net basis with effect from 1 October 2016, as disclosed in the Company's announcements dated 30 November 2016 and 15 December 2016, respectively.
- A net loss of approximately HK\$19.75 million was recorded for the Period, a slight decrease in the net loss of 3.66% as compared with a net loss of approximately HK\$20.50 million in the corresponding period of last year. The reduction in the net loss is primarily attributable to:
  - (i) an amortised finance charge of HK\$9.26 million in connection with an interest free loan from a related party recorded in the corresponding period of the previous year while no such amortised finance charge was recorded during the Period; and
  - (ii) the above was partly offset by the increase of approximately HK\$5.98 million in share of loss of an associate, which was suffered from increase in staff costs due to organisational restructuring.
- Basic and diluted loss per share attributable to ordinary equity Shareholders for the Period was HK0.16 cent, as compared with basic and diluted loss per share attributable to ordinary equity Shareholders of HK0.17 cent for the corresponding period in 2016.
- The Board has resolved not to declare any interim dividend for the Period.

The board (the “**Board**”) of director(s) (the “**Director(s)**”) of Orient Victory Travel Group Company Limited (formerly known as Orient Victory China Holdings Limited) (the “**Company**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2017 (the “**Period**”), together with comparative figures for the corresponding period in 2016 are as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2017</b>	<b>2016</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>REVENUE</b>	<i>3</i>	<b>140,744</b>	29,865
Cost of sales		<u><b>(127,158)</b></u>	<u>(14,979)</u>
Gross profit		<b>13,586</b>	14,886
Other income		<b>2,092</b>	3,752
Selling expenses		<b>(3,004)</b>	(3,547)
Administrative expenses		<b>(25,570)</b>	(22,987)
Share of loss of an associate		<u><b>(7,610)</b></u>	<u>(1,630)</u>
Loss from operations		<b>(20,506)</b>	(9,526)
Finance costs	<i>4(a)</i>	<u><b>754</b></u>	<u>(10,975)</u>
<b>LOSS BEFORE TAX</b>	<i>4</i>	<b>(19,752)</b>	(20,501)
Income tax	<i>5</i>	<u><b>1</b></u>	<u>–</u>
<b>LOSS FOR THE PERIOD</b>		<u><b>(19,751)</b></u>	<u>(20,501)</u>
Attributable to:			
Equity owners of the Company		<b>(17,755)</b>	(19,803)
Non-controlling interests		<u><b>(1,996)</b></u>	<u>(698)</u>
<b>LOSS FOR THE PERIOD</b>		<u><b>(19,751)</b></u>	<u>(20,501)</u>
			(Restated)
<b>LOSS PER SHARE</b>			
Basic and diluted	<i>6</i>	<u><b>(HK0.16 cent)</b></u>	<u>(HK0.17 cent)</u>

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>LOSS FOR THE PERIOD</b>	<b>(19,751)</b>	<b>(20,501)</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD (after tax)</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	13,032	(6,701)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>13,032</b>	<b>(6,701)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(6,719)</b>	<b>(27,202)</b>
Attributable to:		
Equity owners of the Company	(4,770)	(26,522)
Non-controlling interests	(1,949)	(680)
	<b>(6,719)</b>	<b>(27,202)</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	<i>Notes</i>	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,278	1,513
Interest in an associate		388,264	383,519
Intangible asset		16,388	9,011
		<u>406,930</u>	<u>394,043</u>
<b>CURRENT ASSETS</b>			
Inventories		14,863	16,010
Trade receivables	7	30,432	25,804
Prepayments, deposits and other receivables		9,610	19,301
Prepaid income tax		1	—
Restricted bank deposit		10,200	33,393
Cash and cash equivalents		481,674	334,627
		<u>546,780</u>	<u>429,135</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	8	31,782	28,839
Other payables and accruals		27,980	40,882
Short-term borrowings		8,781	9,617
		<u>68,543</u>	<u>79,338</u>
<b>NET CURRENT ASSETS</b>		<u>478,237</u>	<u>349,797</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>885,167</b>	<b>743,840</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		2,704	1,487
<b>NET ASSETS</b>		<u><b>882,463</b></u>	<u><b>742,353</b></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	9	63,738	60,235
Perpetual convertible securities		396,556	396,556
Reserves		408,680	281,746
<b>Total equity attributable to equity owners of the Company</b>		<b>868,974</b>	<b>738,537</b>
<b>Non-controlling interests</b>		<b>13,489</b>	<b>3,816</b>
<b>TOTAL EQUITY</b>		<u><b>882,463</b></u>	<u><b>742,353</b></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

This interim financial statements has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (“**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”), including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 25 August 2017.

The interim financial statements of the Group has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of the interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim result announcement contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

## 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and HKASs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to HKFRSs 2014-2016 Cycle (amendments)*
- *HKAS 7, Statement of Cash Flows, Disclosure initiative (amendments)*
- *HKAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealised Losses (amendments)*

The adoption of these new and amended standards and interpretations has had no material financial effect on the interim financial information. The Group has not applied any new and amended HKFRSs and HKASs that have been issued but not yet effective, for the current accounting period.

## 3. OPERATING SEGMENT INFORMATION

During the Period, the Group is organized into business units based on their products and services and has four reportable operating segments as follows:

- The travel-related and other services segment, which comprises the sale of air tickets and other travel-related services principally to corporate clients;
- The trading and retail of jewellery segment, which involves the distribution and sale of jewellery products;
- The financial service segment, which mainly involves the provision of advisory on securities, asset management services and advisory on corporate finance; and
- The investment holding segment, which mainly involves equity investment activities.

**(a) Information about profit or loss, assets and liabilities**

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 is set out below.

	Travel-related and other services		Trading and retail of jewellery		Financial services		Investment holding		Total	
	Six months ended 30 June (Unaudited)									
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue										
Revenue from external customers	127,191	10,590	11,993	19,275	1,560	–	–	–	140,744	29,865
Segment results	(534)	(928)	(1,028)	(378)	(1,055)	–	(17,889)	(8,220)	(20,506)	(9,526)
Reconciliation:										
Finance costs									754	(10,975)
Loss before tax									(19,752)	(20,501)
	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Segment assets	30,939	25,167	17,147	18,896	17,026	9,723	396,724	401,372	461,836	455,158
Reconciliation:										
Corporate and other unallocated assets									491,874	368,020
Total assets									953,710	823,178
Segment liabilities	40,834	35,728	2,047	2,265	3,425	3,437	16,160	29,778	62,466	71,208
Reconciliation:										
Corporate and other unallocated liabilities									8,781	9,617
Total liabilities									71,247	80,825

**(b) Geographical information**

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

	Revenues from external customers		Non-current assets		Current assets	
	Six months ended 30 June		30 June	31 December	30 June	31 December
	2017	2016	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Outside Mainland China (including Hong Kong, place of domicile)	128,751	10,590	369,576	350,429	517,347	396,969
Mainland China	11,993	19,275	37,354	43,614	29,433	32,166
	<u>140,744</u>	<u>29,865</u>	<u>406,930</u>	<u>394,043</u>	<u>546,780</u>	<u>429,135</u>

**4. LOSS BEFORE TAX**

**(a) Finance costs**

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank and other borrowings repayable within five years	343	461
Net amortized finance charges in connection with interest-free loans from a related party and a third party	–	9,951
Net foreign exchange (gain)/loss	<u>(1,097)</u>	<u>563</u>
	<u>(754)</u>	<u>10,975</u>

**(b) Other items**

The Group's loss before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	277	53
Staff costs (including Directors' emoluments)	16,483	15,450
Minimum lease payments under operating leases in respect of land and buildings	4,025	3,121
Net (reversal)/ provision of impairment on trade receivables	(654)	240
Loss on disposal of property, plant and equipment, net	<u>–</u>	<u>50</u>

## 5. INCOME TAX

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

Hong Kong profits tax rate is 16.5% for the Period (30 June 2016: 16.5%). The Group is not subject to Hong Kong profits tax as it has no assessable income arising in and derived from Hong Kong during the Period (six months ended 30 June 2016: Nil).

Pursuant to the rules and regulations of the People’s Republic of China (the “PRC”), the Group’s subsidiaries established in the PRC are subject to the PRC Corporate Income Tax at the statutory rate of 25% during the Period (six months ended 30 June 2016: 25%), except for a subsidiary of the Group which is a small-scale enterprise and is subject to enterprise income tax at 20% (six months ended 30 June 2016: 20%). No provision for the PRC Corporate Income Tax has been made as the Group’s operations in the PRC had no estimated assessable profit for the Period (six months ended 30 June 2016: Nil).

## 6. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the Period attributable to ordinary equity shareholders of the Company (the “Shareholder(s)”) of approximately HK\$20.31 million after deducting the accrued distribution to the holders of perpetual convertible securities (“PCS”) of approximately HK\$2.55 million (six months ended 30 June 2016: loss of approximately HK\$19.80 million), and the weighted average of 12,320,795,134 ordinary shares in issue (six months ended 30 June 2016: 11,356,143,038 shares after adjusting for effect of exercise of warrants) during the Period.

The Group had no dilutive potential ordinary shares in issue for the six months periods ended 30 June 2017 and 2016.

## 7. TRADE RECEIVABLES

The general credit terms granted to customers range from 14 to 90 days. As of the end of the Period, the ageing analysis of trade receivables, based on the invoice date and net of provision for impairment, if any, is as follows:

	<b>30 June 2017 (Unaudited) HK\$’000</b>	<b>31 December 2016 (Audited) HK\$’000</b>
Within 90 days	<b>28,089</b>	24,585
91 to 180 days	<b>2,231</b>	1,173
181 to 365 days	<b>80</b>	46
Over 365 days	<b>32</b>	—
	<b>30,432</b>	<b>25,804</b>

## 8. TRADE PAYABLES

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

	<b>30 June 2017 (Unaudited) HK\$’000</b>	<b>31 December 2016 (Audited) HK\$’000</b>
Within 90 days	<b>31,659</b>	28,638
91 to 180 days	<b>9</b>	42
181 to 365 days	<b>29</b>	86
Over 365 days	<b>85</b>	73
	<b>31,782</b>	<b>28,839</b>



## 9. SHARE CAPITAL

	Number of ordinary shares '000	Share capital HK\$'000
<b>Authorised:</b>		
At 31 December 2016, 1 January 2017 and 30 June 2017		
– Ordinary shares of HK\$0.005 each	20,000,000	100,000
<b>Issued and fully paid:</b>		
At 1 January 2016		
– Ordinary shares of HK\$0.005 each	10,979,337	54,897
Issuance of new shares upon exercise of warrants ( <i>Note</i> )	784,260	3,921
Issuance of new shares under open offer	283,446	1,417
At 31 December 2016 and 1 January 2017		
– Ordinary shares of HK\$0.005 each	12,047,043	60,235
Issuance of new shares upon exercise of warrants ( <i>Note</i> )	700,552	3,503
	12,747,595	63,738

*Note:*

Exercise of bonus warrants

On 4 May 2016, the Company made a bonus issue of warrants (the “**Warrant(s)**”) to the Shareholders on the basis of one Warrant for every seven existing ordinary shares of the Company and 1,568,476,768 units of Warrants were issued.

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

During the Period, 700,552,419 (31 December 2016: 784,259,285) units of Warrants had been exercised by the Warrants holders and accordingly, 700,552,419 ordinary shares were issued and allotted by the Company to the holders of the Warrants. The consideration of HK\$135,207,000 from the exercise of Warrants were credited to share capital and share premium at the amounts of approximately HK\$3,503,000 and HK\$131,704,000, respectively.

The remaining Warrants were expired on 3 May 2017 and there are no outstanding Warrants as at 30 June 2017.

## 10. INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the Period (six months ended 30 June 2016: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### Travel-Related and Other Services

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

For the Period, the segment recorded 1,101.05% increase in revenue from approximately HK\$10.59 million for the six months ended 30 June 2016 to approximately HK\$127.19 million. The increase was mainly attributable to the fact that the sale of air tickets was recognised on a gross basis instead of a net basis with effect from 1 October 2016, as disclosed in the Company's announcements dated 30 November 2016 and 15 December 2016. This segment recorded an operating loss of approximately HK\$0.53 million for the Period, a slightly decrease of HK\$0.40 million compared to operating loss of approximately HK\$0.93 million for the corresponding period in 2016. The reduction in the loss is mainly attributable to the net write-back of bad debt provision of HK\$0.65 million.

The Group kept looking for more experienced sales and marketing staff to bring more business and clients from the markets of Hong Kong and the PRC.

The Group also sought to develop highly profitable tourism services, including MICE (Meetings, Incentives, Conferences and Exhibitions) business, cruise business and hotel booking business. The Group has been working with global partners to develop travel reporting tools to provide our corporate clients with effective and efficient travel management solutions that are customized to their needs.

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

#### Trading and Retail of Jewellery

Trading and retail of jewellery include distribution and sale of jewellery products such as precious stones, jade, gold and silver in the Group's flagship stores and counters of large department stores in Nanjing.

During the Period, both of the revenue and number of customers dropped as a result of the blocked fences set up along the road in front of our flagship store in Nanjing by the local municipal government since mid-October 2016.

As disclosed in the Company's announcement dated 22 June 2017, on 8 June 2017, there was a fire accident (the "**Fire Accident**") on the top of the third floor of the building, two floors above where our flagship jewellery store (the "**Jewellery Store**") is situated. The Jewellery Store was temporarily closed for urgent repairment until 29 June 2017 and reopened on 30 June 2017. The Fire Accident caused neither material damage on the Group's products nor material adverse impact on the financial position of the Group. The impairment to the store and equipment will be fully covered by Nanjing Construction Group Company Limited (南京建工集團有限公司) (the "**Contractor**").

As a result of the above issues, this segment recorded a decrease in revenue to approximately HK\$11.99 million for the Period (30 June 2016: approximately HK\$19.28 million) and a loss from operating of approximately HK\$1.03 million was recorded for the Period as compared to operating loss of approximately HK\$0.38 million in the corresponding period of 2016.

Although the Group succeeded in obtaining the Qualification of Cultural Enterprise to enjoy lower borrowings interest rate, this segment is not the core business of the Group and is not expected to be a meaningful driver of or contributor to the operating results of the Group going forward.

To deal with the sluggish economic environment, the Group has tried to further improve the performance of its jewellery business by further reducing its staff costs and leasing costs. The Group will continue to monitor and review the performance of its jewellery business and make appropriate arrangement as and when necessary.

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

## **Financial Services**

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

During the Period concerned, Azure Asset Management recorded revenue of HK\$1.55 million and losses from operation approximately HK\$0.28 million from their Type 4 and Type 9 regulated activities, and Azure Capital recorded revenue of HK\$0.01 million and losses from operation approximately HK\$0.78 million from their Type 6 regulated activities.

The Company believes the financial market is stable and is not expected to experience big fluctuations in the short run, which should be favorable to the growth of Azure Capital. In addition, the Company has directed efforts to remarket the brand name and promote the service of Azure Capital, an increase in new financial advisory contracts and positive revenue contribution is expected. The Company expected a reasonable return under the market condition and increase in revenue.

The Directors believe that the acquisition can expand the financial services limb of the principal business activities of the Group and therefore maximize returns to our Shareholders, marking an important step of the Group into the business of financial services in Hong Kong. The Company will monitor the development Azure Capital and the market situation and alter the business strategy subject to market situations.

## **Financial Analysis**

### **Operating Performance**

The Group recorded that revenue and gross profit of approximately HK\$140.74 million and HK\$13.59 million respectively for the Period, representing an increase of 371.27% and a decrease of 8.73%, respectively as compared to the corresponding period of last year.

A net loss of approximately HK\$19.75 million was recorded for the Period, a slight decrease in the net loss of 3.66% as compared with a net loss of approximately HK\$20.50 million in the corresponding period of the previous year. The reduction in the net loss is primarily attributable to:

- (i) an amortised finance charge of HK\$9.26 million in connection with an interest free loan from a related party was recorded in the corresponding period of the previous year while no such amortised finance charge was recorded during the Period; and
- (ii) the above was partly offset by the increase of approximately HK\$5.98 million in share of loss of an associate, which was suffered from increase in staff costs due to organisational restructuring.

### **Liquidity and Financial Resources**

During the Period, the Group's operations and investments continued to be mainly financed by internal resources, borrowings as well as proceeds raised from equity financing exercise. As at 30 June 2017, the Group's cash and cash equivalents and the restricted bank deposit totally amounted to approximately HK\$491.87 million (31 December 2016: approximately HK\$368.02 million), representing an increase of HK\$123.85 million as compared to the year ended 31 December 2016.

The increase of cash and cash equivalents and the restricted bank deposit were mainly contributed by cash proceeds of approximately HK\$135.21 million from the exercise of 700,552,419 Warrants.

As at 30 June 2017, the Group had total bank and other borrowings of approximately HK\$8.78 million (31 December 2016: HK\$9.62 million), all of which are denominated in Renminbi ("RMB"), among which (i) HK\$5.75 million are bank loans (31 December 2016: HK\$5.57 million), which were secured and the range of effective interest rate ranged from 4.4% to 5.6% per annum for the Period (31 December 2016: 4.5%-6.0% per annum); and (ii) HK\$3.03 million are other short-term borrowings (31 December 2016: HK\$4.05 million), which were unsecured and was at a fixed interest rate of 6.5% per annum for the Period (31 December 2016: 6.5% per annum).

As at 30 June 2017, the Group had a current ratio of 7.98 (31 December 2016: 5.41). The net debt to total assets ratio was not applicable as the Group was in net cash position of HK\$472.89 million as at 30 June 2017 (31 December 2016: HK\$325.01 million).

### **Foreign Exchange Exposure**

Since the transactions of the Group were mainly denominated in Hong Kong Dollars ("HK\$") and RMB, the Group is exposed to foreign currency risk on the cash and cash equivalents of the entity which are denominated in RMB whose functional currency is HK\$. The Group currency does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the Directors monitor the related foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

## FUND RAISING ACTIVITIES

### Exercise of Bonus Warrants

On 4 May 2016, the Company on the basis of one Warrant for every seven existing ordinary shares of the Company and 1,568,476,768 units of Warrants were issued.

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

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

## ACQUISITIONS

### Azure Capital

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

### Nibou Company Limited ("Nibou")

Reference is made to the Company's announcements dated 10 March 2017 and 13 March 2017, Yield Quality Investment Limited ("**Yield Quality**"), an indirect wholly-owned subsidiary of the Company as the purchaser, Mr. Ippa Kitazono as the vendor, and Mr. Zhang Jie and Mr. Hui Wan Sang as the guarantors of the vendor entered into a sale and purchase agreement, pursuant to which, amongst others, Yield Quality conditionally agreed to purchase, and Mr. Ippa Kitazono conditionally agreed to sell the sale shares representing 78% of the issued share capital of Nibou at the consideration of JPY103,740,000 (equivalent to approximately HK\$7,053,283) (the "**Nibou SPA**"). Nibou is principally engaged in hotel ownership and management in Japan and its major assets include a 9-storey (including two-storey basement) hot spring (onsen) hotel with a total gross floor areas of approximately 5,000 sq.m. and has about 60 guest rooms and car parking facility.

As at the date of this announcement, the conditions precedent under the Nibou SPA have not been fulfilled in full and completion of the Nibou SPA will take place when all the conditions precedent have been fulfilled. The Company will publish further announcement(s) regarding the transactions contemplated under the Nibou SPA as and when appropriate.



## SET UP OF JOINT VENTURE

Reference is made to the announcement of the Company dated 13 April 2017 in relation to the formation of a joint venture company (寧波梅山保税港區首勝建銀投資管理有限公司) (the “**JV Company**”).

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

At the date of this announcement, the JV Company has completed registration and obtained a business license, but the registered share capital was not paid by the parties in accordance with the Articles. The company will publish further announcement(s) regarding the transactions as and when appropriate.

## EVENTS AFTER THE REPORTING PERIOD

### Travel Related and Other Services

#### Acquisition of Land in New Zealand

As disclosed in the announcement of the Company dated 11 August 2017, the Company entered into the agreement with Horncastle Home Limited, a company incorporated in New Zealand with limited liability and is independent of and not connected with the Company or any of its connected person (as defined in the Listing Rules), in relation to the acquisition of the land at the consideration of approximately NZD9 million (equivalent to approximately HK\$51.3 million). The land is located at Silverdale, Auckland of New Zealand and has an aggregate area of approximately 15,742 sq.m. for the development of visitor accommodation for operating purpose and residential properties for sale. The preliminary plan is to develop the land in phases which will comprise self-serviced units and sale residential units, though no legally binding contract has been entered into by the Group in respect of the construction and/or development of the land. In addition, the intended development of self-serviced units on the land is currently intended to be utilised as to approximately 62% out of the total number of units for the fulfilment of the accommodation needs of tours from the PRC organised by China Comfort Travel Group Company Limited, which is owned as to 49% by the Company.

The Company has been exploring opportunities to expand its travel-related business in order to add momentum to the growth of the Group. The land is located in a tourism hub in North Auckland with close proximity to motorway, public transport, local amenities and popular tourist attractions. Identifying critical housing shortage in Auckland, the Board believes that the property market of the nearby location where the land is situated has significant growth potential and thus the acquisition represented a good investment opportunity for the Group to boost up the revenue of the Group through the rental and sales of properties and thereby broaden the business scope and increase the profitability of the Group. In addition, the acquisition will bring synergy effects to the travel business of the Group's invested entity, and will also provide an additional source of income for the Group through the daily operations as Auckland tourism boom rolls on, which is in line with the Group's long-term strategy.

As at the date of this announcement, the conditions precedent to the completion of this acquisition have not been fulfilled in full and the completion has not taken place yet. The Company will publish further announcement(s) regarding the transactions as and when appropriate.

### Investment in a Joint Company

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

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

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

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

### Trading and Retail of Jewellery

#### Claim for Damages

Reference is made to the announcement of the Company dated 22 June 2017 in relation to the temporary close of business of the Group’s Jewellery Store caused by the Fire Accident above the Jewellery Store. As a result, the Jewellery Store was temporarily closed and suffered from economical loss. Upon investigation by the local fire department, the Fire Accident was caused by the careless Contractor who was appointed for a water proofing work at the scene.

On 27 July 2017, the Group took legal action against the Contractor at the People’s Court of Qinhuai, Nanjing, the PRC seeking damages of approximately RMB1.02 million (equivalent to approximately HK\$1.17 million) arising from the Fire Accident. The Company will publish further announcement(s) to update its Shareholders as and when necessary.

## **Business Cooperation**

On 27 July 2017, for the benefit of mutual reliance, the Jewellery Store entered into a business cooperation agreement with an independent jewellery retailer. Pursuant to the agreement, the Jewellery Store shall provide the jewellery retailer with a shop space for the operation of jewellery retail business for a term of two years commencing from 1 August 2017. During the term, the jewellery retailer shall pay to the Jewellery Store an aggregate sum of RMB0.82 million (equivalent to approximately HK\$0.94 million) and RMB0.84 million (equivalent to approximately HK\$0.97 million) for the first year and second year respectively. All expenses and staff costs in respect of the operation of jewellery retail business at the place provided by the Jewellery Store shall be borne by the jewellery retailer.

## **Financial Services**

On 4 July 2017, Azure Asset Management applied to the SFC for suspension of licence with immediate effect, for the reason of redirecting the business to new focus on private equity instead of secondary markets. The Group will apply to the SFC to resume the license once we have finalized our new business plan and formed a new business management team.

## **NUMBER AND REMUNERATION OF EMPLOYEES**

As at 30 June 2017, the total number of employees of the Group was 128 (31 December 2016: 137). Employment costs (including Directors' emoluments) amounted to approximately HK\$16.48 million for the Period (six months ended 30 June 2016: approximately HK\$15.45 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.

## **INTERIM DIVIDEND**

The Board resolved not to declare any interim dividend for the Period (six months ended 30 June 2016: Nil).

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

During the Period, 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.

## **CORPORATE GOVERNANCE**

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



## **AUDIT COMMITTEE**

Regular meetings have been held by the Audit Committee of the Company since its establishment and it meets at least twice a year to review and supervise the Group's financial reporting process and internal control. The Company's interim results for the Period have not been audited, but have been reviewed by the Audit Committee.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as its own code of conduct for dealings in securities of the Company by the Directors. Specific enquiries were made with all the Directors, who have confirmed that they complied with the required standards as set out in the Model Code throughout the Period.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This announcement is published on the Company's website ([www.orientvictory.com.hk](http://www.orientvictory.com.hk)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2017 interim report will be despatched to our Shareholders in September 2017 and will be published on the website of the Company and the Stock Exchange, respectively, in due course.

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

Hong Kong, 25 August 2017

*As at the date of this announcement, the Board comprises three executive Directors, being Mr. Shi Baodong, Mr. Zhao Huining and Mr. Wang Jianhua, one non-executive Director, being Ms. Song Sining, and three independent non-executive Directors, being Mr. Dong Xiaojie, Mr. He Qi and Mr. Law Wang Chak, Waltery.*