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ORIENT VICTORY CHINA HOLDINGS LIMITED

東勝中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

SUPPLEMENTAL ANNOUNCEMENT CONTINUING CONNECTED TRANSACTION IN RELATION TO NEW SERVICE AGREEMENT

Reference is made to the announcement of Orient Victory China Holdings Limited dated 30 November 2016 (the “**Announcement**”) in relation to, among other things, the continuing connected transaction involving the New Service Agreement entered into between Four Seas and HK Four Seas in relation to the provision of the Services by HK Four Seas to Four Seas. Unless otherwise stated, terms used in this announcement have the same meanings as defined in the Announcement.

In addition to the information disclosed in the Announcement, the Company wishes to provide the Shareholders and the public with additional information in relation to the New Service Agreement.

BASIS OF ANNUAL CAPS

The scope of the Services under the Old Service Agreement and the New Service Agreement are fundamentally the same. The difference of the Annual Caps between the Old Service Agreement and the New Service Agreement was due to the accounting treatment of the ticket prices paid by Four Seas to HK Four Seas.

Under the Old Service Agreement, Four Seas purchased air tickets from HK Four Seas upon client’s requests and earned the difference between the agency fee charged to the client and the agency fee paid to HK Four Seas. Four Seas did not bear any substantial inventory risk of the air-tickets. Four Seas was regarded as an agent in the air ticketing business arrangement and recognised sales of air tickets and the related costs on a net basis.

As disclosed in the Announcement, under the New Service Agreement, Four Seas has committed to purchase the Minimum Air Tickets every 3 months with HK Four Seas throughout the Service Term. As Four Seas bears risk in relation to such minimum air ticket purchase volume under the New 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.

As explained above, the Annual Caps under the New Service Agreement are identical to those under the Old Service Agreement, and the increase in the Annual Caps was only due to taking into account the air ticket purchase costs as part of the Annual Caps.

The New Service Agreement is a continuation of the existing arrangements under the Old Service Agreement except for the minimum air ticket purchase volume which would result in the different accounting treatment mentioned above. For the period from 1 January to 30 September 2016, the sale of air tickets and the related costs incurred under the Old Service Agreement were recognised on a net basis; and for the period from 1 October to 31 December 2016 where the New Service Agreement takes effect, the purchase price for sale of air tickets paid 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 basis for determining the Annual Caps under the New Service Agreement and the Old Service Agreement are similar. As disclosed in the Circular and the Announcement, they were based on (a) a fixed monthly fee of HK\$100,000 and (b) the ticket and agency fee payable determined on the basis of the estimated gross purchase amount of sales of air tickets from HK Four Seas and an annual growth rate of 6% on a gross basis for the relevant period, and an amount equivalent to 1.5% on gross purchase as agency fee. The increase in the monetary amount for the Annual Caps is explained above. The total amount (i.e. the total purchase costs for the air tickets plus the agency fee) to be paid by Four Seas under the Annual Caps under the New Service Agreement would not be more than that under the Old Service Agreement, as the difference is the accounting treatment of the purchase costs.

As disclosed in the Announcement, 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.

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

Year	Agency fee	Management fee	Total
2014	HKD1,657,000	HKD390,000	HKD2,047,000
2015	HKD5,153,000	HKD1,200,000	HKD6,353,000
2016 (up to September 2016)	HKD3,198,000	HKD900,000	HKD4,098,000

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

Saved as disclosed above, all other information set out in the Announcement remains unchanged.

By order of the Board
Orient Victory China Holdings Limited
Shi Baodong
Chairman and Executive Director

Hong Kong, 15 December 2016

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Shi Baodong, Mr. Wang Jianhua and Ms. Xu Yongmei, one non-executive Director, being Mr. Li Yankuan, and three independent non-executive Directors, being Mr. Dong Xiaojie, Mr. He Qi and Mr. Law Wang Chak, Waltery.