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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)

CONTINUING CONNECTED TRANSACTION IN RELATION TO NEW SERVICE AGREEMENT AND TERMINATION OF CONTINUING CONNECTED TRANSACTION IN RELATION TO OLD SERVICE AGREEMENT

NEW SERVICE AGREEMENT

The Board is pleased to announce that, on 30 November 2016 (after trading hours), Four Seas, an indirectly non-wholly owned subsidiary of the Company, and HK Four Seas entered into the New 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 from 1 October 2016 to 3 September 2017 (both dates inclusive).

TERMINATION OF OLD SERVICE AGREEMENT

On 30 November 2016 (after trading hours), the Company entered into the Termination Agreement with Four Seas and HK Four Seas to terminate the Old Service Agreement which shall be of no further force and effect upon signing of the Termination Agreement and none of the parties thereto shall have any claim against the others arising from the termination.

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 as associate of Four Seas Travel (BVI) Limited, is hence a connected person of the Company at the subsidiary level. The transactions contemplated under the New 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 New Service Agreement are on normal commercial terms; (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 New Service Agreement are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements.

Reference is made to the circular of the Company dated 12 August 2014 (the “**Circular**”) in relation to, among other things, the continuing connected transaction involving the Old Service Agreement entered into among the Company, Four Seas and HK Four Seas in relation to the provision of the Services by HK Four Seas to Four Seas.

NEW SERVICE AGREEMENT

The Board is pleased to announce that, on 30 November 2016 (after trading hours), Four Seas, an indirectly non-wholly owned subsidiary of the Company, and HK Four Seas entered into the New 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.

Scope of the Services

Pursuant to the New Service Agreement, Four Seas agreed to appoint of HK Four Seas as its service provider to provide, and HK Four Seas agreed to provide to Four Seas, the following services for a monthly fee of HK\$100,000:

- (1) 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;
- (2) provision of necessary hardware including computers, computer hardware and software systems and the necessary maintenance for such hardware and software provided;
- (3) licensing of such trademarks owned by HK Four Seas to be used by Four Seas;
- (4) purchasing of air tickets from airline companies through International Air Transport Association (“**IATA**”) and other agencies, which will then be sold to Four Seas on normal commercial terms; and
- (5) such other back-office support services and technical support services necessary to support the smooth operation of Four Seas.

Service Term

Pursuant to the New Service Agreement, subject to early termination by any party to the New Service Agreement in accordance with the terms thereof, the New Service Agreement shall have a term from 1 October 2016 to 3 September 2017 (both dates inclusive) (the “**Service Term**”).

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

Service Fee

Pursuant to the New Service Agreement, Four Seas agrees to pay a monthly fee of HK\$100,000 to HK Four Seas for the Services.

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.

Ticket and Agency Fee

Pursuant to the New Service Agreement, in relation to the purchasing 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, 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 New 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 New 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”, “四海旅遊”.

ANNUAL CAPS

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

	For the year ending	
	31 December	
	2016	2017
	<i>HK\$ million</i>	<i>HK\$ million</i>
Service fee	0.30	0.80
Ticket and agency fee	109.28	308.56
Annual Caps	<u>109.58</u>	<u>309.36</u>

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.

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

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, 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) Ltd.

TERMINATION OF OLD SERVICE AGREEMENT

In view of the entering into of the New Service Agreement, on 30 November 2016 (after trading hours), the Company entered into the Termination Agreement with Four Seas and HK Four Seas to terminate the Old Service Agreement, which shall be of no further force and effect upon signing of the Termination Agreement and none of the parties thereto shall have any claim against the others arising from the termination.

The Board believes that entering into the Termination Agreement will not cause any material adverse impact to the Group's business and operational activities.

The Directors (including the independent non-executive Directors) consider that the Termination Agreement has been entered into in the ordinary course of business of the Group and that the Termination Agreement was negotiated on an arm's length basis, on normal commercial terms or better, which are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

REASONS FOR ENTERING INTO OF NEW SERVICE AGREEMENT AND TERMINATION OF OLD SERVICE AGREEMENT

Four Seas and HK Four Seas recently discussed possible amendment to the terms of the Old Service Agreement as with effect from 1 January 2015, the maximum credit period allowed by IATA to IATA accredited air ticketing agents has been reduced to 15 days from 22 days.

HK Four Seas has so far during the terms 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 unfavourable changes to the industry practice which shortened the credit period to 15 days, Four Seas and HK Four Seas agreed that the existing arrangement regarding the credit period under the New 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. In this connection, the Company, Four Seas and HK Four Seas terminated the Old Service Agreement by entering into the Termination Agreement and Four Seas and HK Four Seas entered into to the New Service Agreement to reflect the above changes and replace the Old Service Agreement.

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 New 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; (iii) and that the terms of the New 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 New 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 New Service Agreement are on normal commercial terms; (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 New Service Agreement are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders’ approval requirements.

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
“Company”	Orient Victory China Holdings 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
“New Service Agreement”	the service agreement dated 30 November 2016 entered into between Four Seas and HK Four Seas
“Old Service Agreement”	the service agreement dated 4 September 2014 entered into among the Company, Four Seas and HK Four Seas
“PRC”	the People’s Republic of China
“Services”	services provided by HK Four Seas to Four Seas pursuant to the New Service Agreement which include sale of air tickets and other travel-related services

“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Termination Agreement”	the termination agreement dated 30 November 2016 entered into among the Company, Four Seas and HK Four Seas to terminate the Old Service Agreement

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

Hong Kong, 30 November 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.