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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)**

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

### **FINANCIAL HIGHLIGHT**

The Board is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2016 and set forth below a summary of the results:

- Revenue was HK\$29.87 million for the six months ended 30 June 2016, representing a decrease of 18.62% as compared with the corresponding period in 2015.
- A net loss of approximately HK\$20.50 million was recorded for the six months ended 30 June 2016 as compared with a net profit of approximately HK\$0.72 million in the corresponding period of last year. The change from a net profit to a net loss is primarily attributable to:
  - (i) a gain of approximately HK\$17.62 million for the disposal of the available-for-sale financial assets was recorded during the corresponding period of last year but no such transaction was recorded during the Period, and
  - (ii) an amortized finance charge of HK\$9.26 million in connection with an interest free loan from a related party was recorded during the Period but no such transaction was recorded during the corresponding period of last year.
- Basic and diluted loss per share attributable to equity shareholders of the Company for the six months ended 30 June 2016 was HK0.18 cent, as compared with basic and diluted profit per share attributable to equity shareholders of the Company of HK0.01 cent for the corresponding period in 2015.
- The Board has resolved not to declare any interim dividend for the six months ended 30 June 2016.

The board (the “**Board**”) of director(s) (the “**Director(s)**”) of Orient Victory China Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2016 (the “**Period**”), together with comparative figures for the corresponding period in 2015 are as follows.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>REVENUE</b>	<i>3</i>	<b>29,865</b>	36,696
Cost of sales		<u><b>(14,979)</b></u>	<u>(19,751)</u>
Gross profit		<b>14,886</b>	16,945
Other income		<b>3,752</b>	739
Selling expenses		<b>(3,547)</b>	(3,977)
Administrative expenses		<b>(22,987)</b>	(29,434)
Net loss on financial assets at fair value through profit or loss		<b>–</b>	(526)
Gain on disposal of available-for-sale financial assets		<b>–</b>	17,618
Share of loss of an associate		<u><b>(1,630)</b></u>	<u>–</u>
(Loss)/profit from operations		<b>(9,526)</b>	1,365
Finance costs	<i>4(a)</i>	<u><b>(10,975)</b></u>	<u>(633)</u>
<b>(LOSS)/PROFIT BEFORE TAX</b>	<i>4</i>	<b>(20,501)</b>	732
Income tax	<i>5</i>	<u><b>–</b></u>	<u>(17)</u>
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<u><b>(20,501)</b></u>	<u>715</u>
Attributable to:			
Equity owners of the Company		<b>(19,803)</b>	733
Non-controlling interests		<u><b>(698)</b></u>	<u>(18)</u>
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<u><b>(20,501)</b></u>	<u>715</u>
<b>(LOSS)/EARNINGS PER SHARE</b>			
Basic and diluted	<i>6</i>	<u><b>(HK0.18 cent)</b></u>	<u>HK0.01 cent</u>

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

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	<b>(20,501)</b>	<b>715</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD (after tax)</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Changes in fair value of available-for-sale financial assets	–	(17,849)
Release of available-for-sale financial assets revaluation reserve upon disposal	–	(17,618)
Exchange differences on translation of financial statements of foreign operations	<b>(6,701)</b>	<b>(174)</b>
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(6,701)</b>	<b>(35,641)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(27,202)</b>	<b>(34,926)</b>
Attributable to:		
Equity owners of the Company	<b>(26,522)</b>	<b>(34,899)</b>
Non-controlling interests	<b>(680)</b>	<b>(27)</b>
	<b>(27,202)</b>	<b>(34,926)</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		564	545
Interest in an associate		548,641	557,090
		<u>549,205</u>	<u>557,635</u>
<b>CURRENT ASSETS</b>			
Inventories		17,921	24,594
Trade receivables	7	40,083	29,261
Prepayments, deposits and other receivables		8,817	4,845
Prepaid income tax		589	442
Restricted bank deposit		33,689	–
Cash and cash equivalents		154,834	326,605
		<u>255,933</u>	<u>385,747</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	8	36,415	25,554
Other payables and accruals		13,102	20,285
Short-term borrowings		98,154	65,732
		<u>147,671</u>	<u>111,571</u>
<b>NET CURRENT ASSETS</b>		<u>108,262</u>	<u>274,176</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>657,467</b>	<b>831,811</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowing	9	–	440,707
<b>NET ASSETS</b>		<u>657,467</u>	<u>391,104</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	10	58,818	54,897
Perpetual convertible securities		155,668	–
Reserves		437,353	329,899
<b>Total equity attributable to equity owners of the Company</b>		<u>651,839</u>	<u>384,796</u>
<b>Non-controlling interests</b>		<u>5,628</u>	<u>6,308</u>
<b>TOTAL EQUITY</b>		<u>657,467</u>	<u>391,104</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The interim financial report 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 30 August 2016.

The interim financial report of the Group has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements.

The preparation of an interim financial report 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 financial report 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 2015 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 2012-2014 Cycle*
- Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

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

The Group is expected to integrate existing business segment and diversify new principal business. Reference is made to the Company announcement dated 29 July 2016, the Group completed the acquisition of a licensed corporation which owned the licenses to carry out Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). After completion of acquisition, the Group is expanding its operating segment to encompass provision of financial services.

**(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		Investment holding		Total	
	Six months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue</b>								
Revenue from external customers	<u>10,590</u>	<u>11,717</u>	<u>19,275</u>	<u>24,979</u>	<u>–</u>	<u>–</u>	<u>29,865</u>	<u>36,696</u>
<b>Segment results</b>	<u>(928)</u>	<u>38</u>	<u>(378)</u>	<u>576</u>	<u>(8,220)</u>	<u>751</u>	<u>(9,526)</u>	<u>1,365</u>
<i>Reconciliation:</i>								
Finance costs							<u>(10,975)</u>	<u>(633)</u>
<b>(Loss)/profit before tax</b>							<u>(20,501)</u>	<u>732</u>
	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment assets</b>	<u>40,055</u>	<u>29,752</u>	<u>21,058</u>	<u>27,266</u>	<u>555,502</u>	<u>559,759</u>	<u>616,615</u>	<u>616,777</u>
<i>Reconciliation:</i>								
Corporate and other unallocated assets							<u>188,523</u>	<u>326,605</u>
<b>Total assets</b>							<u>805,138</u>	<u>943,382</u>
<b>Segment liabilities</b>	<u>44,622</u>	<u>31,079</u>	<u>1,805</u>	<u>4,817</u>	<u>3,090</u>	<u>9,943</u>	<u>49,517</u>	<u>45,839</u>
<i>Reconciliation:</i>								
Corporate and other unallocated liabilities							<u>98,154</u>	<u>506,439</u>
<b>Total liabilities</b>							<u>147,671</u>	<u>552,278</u>

**(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 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
	2016	2015	2016	2015	2016	2015
	(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)	10,590	11,717	526,958	533,433	218,820	341,972
Mainland China	19,275	24,979	22,247	24,202	37,113	43,775
	<u>29,865</u>	<u>36,696</u>	<u>549,205</u>	<u>557,635</u>	<u>255,933</u>	<u>385,747</u>

**4. (LOSS)/PROFIT BEFORE TAX**

**(a) Finance costs**

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank and other borrowings repayable within five years	461	633
Net amortized finance charges in connection with interest-free loans from a related party and a third party	9,951	—
Net foreign exchange loss	563	—
	<u>10,975</u>	<u>633</u>

**(b) Other items**

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	53	45
Staff costs (including Directors' emoluments)	15,450	12,796
Minimum lease payments under operating leases in respect of land and buildings	3,121	2,594
Impairment of trade receivables	240	240
Loss on disposal of property, plant and equipment, net	50	—
	<u>19,014</u>	<u>15,675</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 2015: 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 2015: HK\$6,000).

Pursuant to the rules and regulations of the PRC, the Group’s subsidiaries established in the Mainland China are subject to PRC Corporate Income Tax at the statutory rate of 25% during the Period (six months ended 30 June 2015: 25%), except for a subsidiary of the Group which is a small-scale enterprise and is subject to enterprise income tax at 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 2015: HK\$11,000).

## **6. (LOSS)/EARNINGS PER SHARE**

The calculation of basic loss per share is based on the loss for the Period attributable to equity shareholders of the Company of approximately HK\$19.80 million (six months ended 30 June 2015: profit of approximately HK\$0.73 million), and the weighted average of 11,257,302,763 ordinary shares (six months ended 30 June 2015: 9,209,733,002 shares after adjusting for effect of the share subdivision and bonus warrants) in issue during the Period.

The Group had no dilutive potential ordinary shares in issue for the six months periods ended 30 June 2016 and 2015.



## 7. TRADE RECEIVABLES

The general credit terms granted to customers range from 14 to 90 days. As of the end of the reporting 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 2016 (Unaudited) HK\$'000</b>	<b>31 December 2015 (Audited) HK\$'000</b>
Within 90 days	<b>38,106</b>	26,539
91 to 180 days	<b>1,612</b>	1,846
181 to 365 days	<b>365</b>	754
Over 365 days	<b>–</b>	122
	<b>40,083</b>	<b>29,261</b>

## 8. TRADE PAYABLES

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

	<b>30 June 2016 (Unaudited) HK\$'000</b>	<b>31 December 2015 (Audited) HK\$'000</b>
Within 90 days	<b>36,298</b>	22,834
91 to 180 days	<b>10</b>	2,559
181 to 365 days	<b>45</b>	91
Over 365 days	<b>62</b>	70
	<b>36,415</b>	<b>25,554</b>

## 9. LONG-TERM BORROWING

In 2015, the Group obtained a long-term loan of RMB396.90 million (equivalent to approximately HK\$484.56 million) from another company controlled by the ultimate controlling shareholder of the Company. The long-term loan is unsecured, non-interest-bearing and is repayable on 13 March 2017. The long-term loan was measured at fair value at initial recognition and subsequently measured at amortised cost using the effective interest method. The fair value of the long-term loan was determined by its present value with reference to the market interest rate of loans with similar terms. On initial recognition, the excess of the cash received over the fair value of the loan of HK\$34.20 million has been credited to equity as contribution from shareholder of the Company. Therefore, the carrying amount of long-term borrowing was HK\$440.71 million as at the beginning of the Period.

During the Period, the Group after taking into actual financial condition and decided to partially settled the long-term borrowing in aggregate amount of RMB319.96 million (equivalent to approximately HK\$376.13 million), the excess of settlement over the carrying amount of the loan of HK\$15.03 million has been charged to equity as release of contribution from shareholder of the Company. As at 30 June 2016, the balance of outstanding borrowing due to ultimate controlling shareholder is approximately of HK\$86.46 million and since its due within 1 year and thus reclassified to the short-term borrowing.

## 10. SHARE CAPITAL

	Number of ordinary shares '000	Share capital HK\$'000
<b>Authorised:</b>		
At 1 January 2015		
– Ordinary shares of HK\$0.025 each	4,000,000	100,000
Share subdivision ( <i>Note (i)</i> )	16,000,000	–
At 31 December 2015, 1 January 2016 and 30 June 2016		
– Ordinary shares of HK\$0.005 each	20,000,000	100,000
<b>Issued and fully paid:</b>		
At 1 January 2015		
– Ordinary shares of HK\$0.025 each	1,823,401	45,584
Issuance of new shares	372,466	9,313
Share subdivision ( <i>Note (i)</i> )	8,783,470	–
At 31 December 2015 and 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 (ii)</i> )	784,258	3,921
At 30 June 2016		
– Ordinary shares of HK\$0.005 each	11,763,595	58,818

### Notes:

- (i) On 16 November 2015, the shareholders of the Company approved to subdivide each existing issued and unissued shares of HK\$0.025 each in the share capital of the Company into five subdivided shares of HK\$0.005 each.
- (ii) On 5 April 2016, the board of Directors announced the proposed bonus issue of warrants (the “**Warrant(s)**”) to the shareholders of the Company on the basis of one Warrant for every seven existing ordinary shares of the Company held on 22 April 2016. 1,568,476,768 units of Warrants were issued on 4 May 2016.

Each Warrant entitles the holder to subscribe in cash for one new ordinary share of the Company at an initial subscription price of HK\$0.195, subject to adjustments. It is exercisable at any time during the period of twelve (12) months commencing from 4 May 2016 and ending on 3 May 2017 (both day inclusive). During the Period, 784,257,857 units of Warrants had been exercised by the holders thereof and 784,257,857 ordinary shares were issued and allotted by the Company to the holders of the Warrants. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. As at 30 June 2016, 784,218,911 units of Warrants remained outstanding.

## 11. INTERIM DIVIDEND

The Board resolved not to declare of any interim dividend for the Period (six months ended 30 June 2015: Nil).

## 12. COMPARATIVE FIGURES

Certain comparative figures have been categorised or reclassified to conform to current period's presentation.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

#### **Travel Related and Other Services**

During the Period, the global economy is still affected by the slowdown in the global economy. The relatively weak global economic environment, terrorist attacks in various parts of the world, coupled with intense competition in the travel industry and the fiscal tightening by the Central People's Government of the People's Republic of China (the "PRC") lead to reduction in corporate clients' demand for business travel services and hence reduction in their business travel spendings. Such factors have affected the travel industry negatively and led to the decline in the profitability of the Group.

This segment recorded a 9.6% decrease in revenue from approximately HK\$11.72 million for the six months ended 30 June 2015 to approximately HK\$10.59 million for the Period and revert to operating loss of approximately HK\$0.93 million for the Period from operating profit of approximately HK\$0.04 million as compared to the corresponding period in 2015.

The Group took the strategy of looking for more suppliers and business partners in order to control purchase costs effectively and maintain a longer term of payment. The Group also sought to develop highly profitable tourism products, including MICE (Meetings, Incentives, Conferences and Exhibitions) business, cruise business and hotel booking business.

For the marketing of this segment, the Group cooperated with domestic and coalition partners around the world to attract more multi-national corporate customers, and continued to devote resources to the marketing, promotion and publicity exposure, to enhance the image of the Group and its influence in the market.

The Group will provide comprehensive training and allowances for the study of tourism-related courses to its 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 includes the distribution and sale of jewellery products such as precious stones, jade, gold and silver in our flagship store and counters of large department stores in Nanjing. The extension of the slowdown in PRC's economic growth from 2015 to 2016 and the decline in prices of gold as raw material of jewellery had led to decline in overall sales of the gold and jewellery industry.

For the Period, the segment recorded a 22.8% decrease in revenue to approximately HK\$19.28 million (six months ended 30 June 2015: approximately HK\$24.98 million) and a loss from operation of approximately HK\$0.38 million was recorded for the Period as compared to operating profit of approximately HK\$0.58 million in the corresponding period of in 2015.

The Group will make every effort to improve sales in its trading and retail of jewellery business amid the sluggish economic environment. The Group will monitor the gross margin, fine-tune the related product categories and seek different sources of supply so as to promote sales and accelerate turnover. The Group will also seek and develop new markets with potential of large demand.

For the marketing of this segment, the Group will promote its brand as a strong and popular proprietary brand and increase the number of franchisees to strengthen its influence in the market such that the profitability of the Group can be increased and the competitiveness can be enhanced for a bigger market share.

The principal assets for this segment are inventories, which mainly comprise 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 better inventory and credit control. The Group's internal control system is generally in normal operation and being effectively executed.

## **Investment Holding**

### **(a) Issuance of bonus warrants**

Reference is made to the Company's announcement dated 5 April 2016 and also the Company's circular dated 26 April 2016 in relation to the proposed bonus issue of Warrants to the shareholders of the Company on the basis of one Warrant for every seven then existing ordinary shares of the Company held on 22 April 2016. 1,568,476,768 units of Warrants were issued on 4 May 2016.

Each Warrant entitles the holder to subscribe in cash for one new ordinary share of the Company at an initial subscription price of HK\$0.195, subject to adjustments. It is exercisable at any time during the period of twelve (12) months commencing from 4 May 2016 and ending on 3 May 2017 (both dates inclusive). During the Period, 784,257,857 units of Warrants had been exercised by the holders thereof and 784,257,857 ordinary shares were allotted and issued by the Company to such holders. The new ordinary shares rank pari passu in all respects with the then existing ordinary shares of the Company. As at 30 June 2016, 784,218,911 units of Warrants remained outstanding.

### **(b) Issuance of perpetual convertible securities**

Reference is made to the Company's circular dated 29 January 2016 and the Company's announcement dated 30 March 2016 in relation to the issue of perpetual convertible securities (the "PCS") in an aggregate principal amount of HK\$170,000,000, the completion of which took place on 30 March 2016. Capitalized terms used in this section shall have the same meanings as those defined in the circular, unless otherwise defined.

The PCS confer a right to the holders thereof to receive Distribution at the distribution rate of 6% per annum. Distributions shall be payable on the PCS semi-annually and may be deferred at the sole discretion of the Company unless an compulsory distribution payment event has occurred.

The PCS has no fixed maturity date. Mr. Shi Baodong (being executive Director and the ultimate controlling shareholder of the Company) will, at the option of an Investor as holder of the PCS or any holder, purchase all or part of their holding of PCS on the third anniversary at the Put Repurchase Price. Under the Investment Agreement, Mr. Shi undertakes that if an Investor fails to achieve an internal rate of return of 12% on the Third Anniversary in respect of the PCS not purchased by Mr. Shi pursuant to the Put Option, Mr. Shi will pay such Investor an amount in order to make up an internal rate of return of 12% on such PCS.

Mr. Shi will also undertake in a personal guarantee that upon the occurrence of a Forced Repurchase Event, a holder of the PCS may serve a notice on Mr. Shi requiring Mr. Shi to purchase, and Mr. Shi shall purchase, the outstanding PCS held by such holder on the date of purchase at the Forced Repurchase Price.

## **Financial Analysis**

### **Operating Performance**

The Group recorded that revenue and gross profit of approximately HK\$29.87 million and HK\$14.89 million respectively for the Period, representing a decrease of 18.6% and 12.2% as compared to the corresponding period of last year.

A net loss of approximately HK\$20.50 million was recorded for the Period as compared with a net profit of approximately HK\$0.72 million in the corresponding period in 2015.

The change from a net profit to a net loss is primarily attributable to:

- (i) a gain of approximately HK\$17.62 million for the disposal of the available-for-sale financial assets was recorded during the corresponding period of last year but no such transaction was recorded during the Period; and
- (ii) an amortized finance charge of HK\$9.26 million in connection with an interest-free loan from a related company was recorded during the Period but no such transaction was recorded during the corresponding period of last year.

### **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 issuance of equity financing exercise. As at 30 June 2016, the Group's cash and cash equivalents and the restricted bank deposit totally amounted to approximately HK\$188.52 million (31 December 2015: approximately HK\$326.61 million), representing a decrease of HK\$138.09 million as compared to the year ended 31 December 2015.

The decrease of cash and cash equivalents and the restricted bank deposit were mainly attributable to the full repayment of a third party loan and partial repayment of a related party loan.

As at 30 June 2016, the Group had total bank and other borrowings of approximately HK\$98.15 million (31 December 2015: HK\$506.44 million), all of which are denominated in RMB, among which (i) HK\$6.49 million are bank loans (31 December 2015: HK\$5.59 million), which were secured and the range of effective interest rate ranged from 5.6%-6.0% per annum for the Period (31 December 2015: 5.5%-6.7% per annum) ; (ii) HK\$5.20 million are other short-term borrowings (31 December 2015: HK\$7.73 million), which were unsecured and was at a fixed interest rate of 6.5% per annum for the Period (31 December 2015: 6.5%-7.0% per annum); (iii) HK\$86.46 million non-interest bearing borrowing from a company controlled by the ultimate controlling shareholder of the Company (31 December 2015: HK\$440.71 million which was reclassified as long-term borrowing); and (iv) the non-interest and unsecured third party loan was fully repaid during the Period (31 December 2015: HK\$52.41 million).

As at 30 June 2016, the Group had a current ratio of 1.73 (31 December 2015: 3.46). The net debt to total assets ratio was not applicable as the Group was in net cash position of HK\$56.68 million as at 30 June 2016 (31 December 2015: net debt of HK\$179.83 million).

### **Foreign Exchange Exposure**

Since the transactions of the Group were mainly denominated in Hong Kong Dollars (“**HK\$**”) and Renminbi (“**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.

## **EVENTS AFTER THE REPORTING PERIOD**

### **Acquisition and New Business Updates**

On 14 January 2016, Triple King International Limited (“**Triple King**”), an indirect wholly-owned subsidiary of the Company, entered into a share purchase agreement with two sellers (collectively the “**Sellers**”), pursuant to which Triple King conditionally agreed to purchase, and the Sellers conditionally agreed to sell, the entire issued share capital of Hanli Investments Limited (the “**Target Company**”), which directly holds the entire issued share capital of Afanti Asset Management Limited (“**Afanti**”) and MAAM Limited (“**MAAM**”) respectively (collectively, the “**Target Group**”) (the “**Acquisition**”).

The Target Company is a company incorporated in the British Virgin Islands and is an investment holding company. Afanti, a company incorporated in Hong Kong with limited liability, is a licensed corporation to carry out Type 4 (Advisory on Securities) and Type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). MAAM is an exempted company incorporated in the Cayman Islands and is an investment holding company.

All the conditions precedent to the share purchase agreement had been fulfilled (or waived, as the case may be) and the completion of the Acquisition took place on 29 July 2016. The consideration for the entire issued share capital of the Target Company amounted to approximately HK\$8.19 million which was determined with reference to the net asset value of the Target Group as at 30 June 2016. Following completion of the Acquisition, the Target Company has become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the Group’s consolidated financial statements.



The Directors believe that the Acquisition can diversify the principal business activities of the Group and therefore maximize returns to shareholders of the Company, marking the beginning of the Group's initial step into the business of financial services in Hong Kong, being a new business segment to the Group. Therefore, the Group is expanding its scope of principal business activities to encompass provision of financial services. The Group is expected to benefit from diversifying its revenue stream from its new business segment, which is expected to increase its shareholders' value and benefit to the Company and its shareholders as a whole.

As each of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is below 5%, the entering into of the share purchase agreement does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

### **Investment in Private Equity Fund**

Reference is made to the announcements of the Company dated 13 July 2016 and 19 July 2016 in relation to the investment in a private equity fund (the “**Fund**”) by the Company. The Fund is proposed to be established through one or more subsidiaries of a joint venture company (the “**JV**”) which will be owned by the Company, Beijing Tourism Group Company Limited (北京首都旅遊集團有限責任公司) (“**BTG**”) and CCB International (Holdings) Limited (“**CCBI**”), with a primary investment focus on certain tourism related projects.

On 19 July 2016, Broad Vantage Limited (a direct wholly-owned subsidiary of the Company) (“**OVC Subscriber**”), Chance Talent Management Limited (an indirect wholly-owned subsidiary of CCBI) and Charter Century Limited (an indirect wholly-owned subsidiary of BTG) (collectively, the “**JV Subscribers**”) entered into a shareholders agreement (the “**Shareholders Agreement**”), pursuant to which each of the JV Subscribers shall unconditionally subscribe for shares of the JV Company respectively at a total subscription price of US\$1,000,000 (representing 40% equity interest in it), US\$750,000 (representing 30% equity interest in it) and US\$750,000 (representing 30% equity interest in it) respectively (the “**Subscription**”).

The Company will use its internal resources to satisfy the subscription amount of US\$1,000,000 under the Subscription. As a result of the Subscription, OVC Subscriber will be the largest shareholder of the JV Company. Upon the completion of the Subscription, the financial statement of the JV Company will be consolidated into the financial statements of the Group and the JV Company will become an indirect subsidiary of the Company.

As each of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Subscription is below 5%, the entering into of the Shareholders Agreement does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

### **NUMBER AND REMUNERATION OF EMPLOYEES**

As at 30 June 2016, the total number of employees of the Group was 133 (31 December 2015:138). Employment costs (including Directors' emoluments) amounted to approximately HK\$15.45 million for the Period (six months ended 30 June 2015: approximately HK\$12.80 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 2015: 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.

## DIRECTORS' AND CHIEF EXECUTIVES' LONG AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2016, the long and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO (the "**Register**"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules, were as follows:

### Long positions in shares

Name of director	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Shi Baodong	Interest in a controlled corporation	6,980,272,880 (Note 1)	59.34%
Shi Baodong	Beneficial owner	312,729,948 (Note 2)	2.66%
Dong Xiaojie	Beneficial owner	1,500,000	0.013%
Law Wang Chak, Waltery	Beneficial owner	350,000	0.003%

### Notes:

The following sets out the long positions of the Directors of the Company subsequent to the period ended 30 June 2016:

1. Mr. Shi Baodong hold 100% equity interest in Orient Victory Real Estate Group Holdings Limited, which in turn holds 6,980,272,880 ordinary shares in the Company. The interests include the holding of (i) 6,891,330,020 ordinary shares and (ii) 88,942,860 units of Warrants giving rise to an interest in 88,942,860 underlying shares of the Company. The Warrants entitle the holders thereof to subscribe at any time during the period from 4 May 2016 to 3 May 2017 (if that day is not a business day, the business day immediately preceding such day, both dates inclusive) for fully paid shares of the Company at an initial subscription price of HK\$0.195 per share (subject to adjustment).
2. Reference is made to the Company's announcement dated 30 March 2016 and also the Company's circular dated 29 January 2016 in relation to the issue of the PCS, the investment agreement of the Company dated 27 June 2015 as amended by a supplemental agreement dated 8 January 2016 (the "**Investment Agreement**") and Mr. Shi's personal guarantee in relation to the obligations of the Company, among other things, relating to the PCS. Mr. Shi Baodong would be interested in 312,729,948 Shares upon the exercise of the two put options in full as contemplated under the Investment Agreement by Outstanding Global Holdings Limited and Chance Talent Management Limited respectively.



Save as disclosed above, none of the Directors and the chief executive of the Company has or is deemed to have any long or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2016 and the date of this announcement.

## **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 each 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.orientvictorychina.com.hk](http://www.orientvictorychina.com.hk)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2016 interim report will be despatched to Shareholders in September 2016 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 China Holdings Limited**  
**Shi Baodong**  
*Chairman and Executive Director*

Hong Kong, 30 August 2016

*As at the date of this announcement, the Board of the Company comprises seven directors, of which three are executive Directors, namely Mr. Shi Baodong, Mr. Wang Jianhua and Ms. Xu Yongmei; one is non-executive Director, Mr. Li Yankuan, and three are independent non-executive Directors, namely Mr. Dong Xiaojie, Mr. He Qi and Mr. Law Wang Chak, Waltery.*