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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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The board is pleased to announce the consolidated results of the Group for the year ended 31 December 2015. A summary of the final results is set forth below:

- The turnover was approximately HK\$66.44 million for the year ended 31 December 2015, representing a decrease of 47.9% from approximately HK\$127.43 million for the year ended 31 December 2014. The decrease is mainly attributable to the sale by the Company of the entire issued share capital of South China (BVI) Limited (the “**Disposal**”), the details of which are set out in the circular of the Company dated 12 August 2014, and upon completion thereof, the Group’s revenue in the travel related and other services segment for the year ended 31 December 2015 (the “**Travel Related and Other Services Business**”) only comprised the sale of air tickets and other travel related services principally to corporate clients (the “**Corporate Travel Business**”).

For the year ended 31 December 2014, the Travel Related and Other Services Business of the Group also included the sale of air tickets and other travel related services principally to travel agents (the “**Wholesale Travel Business**”) for the period from 1 January 2014 to the date of completion of the Disposal. The segment of Wholesale Travel Business ceased after the Disposal was completed in September 2014.

- The profit was approximately HK\$0.85 million for the year ended 31 December 2015, representing an increase of 56.6% as compared with the profit of approximately HK\$0.54 million for the year ended 31 December 2014. The relevant increase in profit for the year ended 31 December 2015 was mainly attributable to:
 - (i) a decrease in the profit from the Travel Related and Other Services Business for the year ended 31 December 2015 due to the continued weak global economic environment and the decrease in profit after the Disposal;
 - (ii) a decrease in the profit from the trading and retail of jewellery segment (the “**Trading and Retail of Jewellery Business**”) for the year ended 31 December 2015 due to the continued slowdown in economic growth in the People’s Republic of China (the “**PRC**”) from 2014 to 2015, and the decline in prices of gold as a raw material of jewellery which led to a decline in overall sales of the gold and jewellery;

- (iii) the non-recurring expenses of professional fees incurred by the very substantial acquisition of 49% equity interest in China Comfort Travel Group Company Limited* (中國康輝旅行社集團有限責任公司) (“**China Comfort**”), the details of which are set out in the circular of the Company dated 21 August 2015 (the “**VSA Circular**”) and the announcements of the Company dated 22 September 2015, 8 September 2015, 23 August 2015, 30 June 2015, 12 June 2015 and 9 April 2015;
 - (iv) unrealised and realised exchange losses of approximately HK\$16.30 million and HK\$0.70 million respectively and a realised exchange loss of approximately HK\$11.10 million to be recognised due to devaluation of the funds held by the Group in Renminbi (the “**RMB**”) as disclosed in the inside information announcements of the Company dated 31 December 2015 and 9 September 2015;
 - (v) the recognition of a one-off disposal gain on the available-for-sale financial assets for shares of South China Holdings Company Limited (formerly known as South China (China) Limited) (the “**SCC Shares**”) in the amount of approximately HK\$17.62 million during the year ended 31 December 2015 as disclosed in the circular of the Company dated 24 July 2015 and the announcements of the Company dated 2 July 2015, 22 June 2015 and 11 June 2015; and
 - (vi) a non-recurring gain of approximately HK\$34.46 million arising from the acquisition of China Comfort in September 2015 as disclosed in the inside information announcement of the Company dated 4 March 2016.
- Basic and diluted earnings per share for the year ended 31 December 2015 was HK0.01 cent, as compared with basic and diluted earnings per share of HK0.01 cent (after Share Subdivision) for the year ended 31 December 2014.
 - The Board does not recommend the payment of any final dividend for the year ended 31 December 2015 (2014: Nil).

The board (the “**Board**”) of directors (the “**Director(s)**”) of Orient Victory China Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2015 (the “**Year**”), together with comparative figures for the last financial year as follow.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
REVENUE	3	66,444	127,429
Cost of sales		<u>(33,800)</u>	<u>(41,521)</u>
Gross profit		32,644	85,908
Other income		1,350	46
Selling expenses		(7,425)	(7,103)
Administrative expenses		(47,414)	(83,285)
Net loss on financial assets at fair value through profit or loss		(526)	(11,062)
Gain on disposal of available-for-sale financial assets		17,618	–
Share of profit of an associate		<u>3,649</u>	<u>–</u>
Loss from operations		(104)	(15,496)
Finance costs		(33,525)	(3,936)
Gain on acquisition of an associate		34,458	–
Gain on disposal of subsidiaries		<u>–</u>	<u>22,760</u>
PROFIT BEFORE TAX	4	829	3,328
Income tax	5	<u>20</u>	<u>(2,786)</u>
PROFIT FOR THE YEAR		<u>849</u>	<u>542</u>
Attributable to:			
Equity shareholders of the Company		1,369	1,029
Non-controlling interests		<u>(520)</u>	<u>(487)</u>
PROFIT FOR THE YEAR		<u>849</u>	<u>542</u>
EARNINGS PER SHARE			
Basic and diluted	6	<u>HK0.01 cent</u>	<u>HK0.01 cent</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
PROFIT FOR THE YEAR	849	542
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR (after tax)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Changes in fair value of available-for-sale financial assets	(17,849)	6,416
Release of available-for-sale financial assets revaluation reserve upon disposal	(17,618)	(4,998)
Exchange differences on translation of financial statements of foreign operations	(3,728)	(809)
Release of exchange fluctuation reserve upon disposal of subsidiaries	—	(8,631)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	(39,195)	(8,022)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(38,346)	(7,480)
Attributable to:		
Equity shareholders of the Company	(37,524)	(6,686)
Non-controlling interests	(822)	(794)
	(38,346)	(7,480)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

		31 December 2015	31 December
	<i>Notes</i>	HK\$'000	2014
			<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		545	452
Interest in an associate		557,090	–
Available-for-sale financial assets		–	54,509
		557,635	54,961
CURRENT ASSETS			
Inventories		24,594	28,026
Trade receivables	7	29,261	29,089
Prepayments, deposits and other receivables		4,845	5,215
Prepaid income tax		442	–
Financial assets at fair value through profit or loss		–	11,756
Cash and cash equivalents		326,605	56,935
		385,747	131,021
CURRENT LIABILITIES			
Trade payables	8	25,554	34,889
Other payables and accruals		20,285	5,564
Short-term borrowings	9	65,732	15,594
Current taxation		–	456
		111,571	56,503
NET CURRENT ASSETS			
		274,176	74,518
TOTAL ASSETS LESS CURRENT LIABILITIES			
		831,811	129,479
NON-CURRENT LIABILITIES			
Long-term borrowing	10	440,707	–
NET ASSETS			
		391,104	129,479

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015 (CONTINUED)**

		31 December 2015	31 December
	<i>Note</i>	HK\$'000	2014
			<i>HK\$'000</i>
CAPITAL AND RESERVES			
Share capital	12	54,897	45,584
Reserves		<u>329,899</u>	<u>76,765</u>
Total equity attributable to equity shareholders of the Company		384,796	122,349
Non-controlling interests		<u>6,308</u>	<u>7,130</u>
TOTAL EQUITY		<u>391,104</u>	<u>129,479</u>

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Orient Victory China Holdings Limited is an exempted limited company incorporated in the Cayman Islands. The registered office of the Company is located at Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Group is involved in the sale of air tickets and other travel related services, trading and retail of jewellery products, and other investment holding business.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "**Companies Ordinance**"). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the Year comprise the Group and the Group's interest in an associate. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the equity shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK\$'000") except when otherwise indicated.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for financial instruments classified as available-for-sale or as trading securities which are stated at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE AND SEGMENTAL REPORTING

(a) Revenue

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discount; the value of services rendered and commission income during the year.

The amount of each significant category of revenue is as follows:

	2015 HK\$'000	2014 HK\$'000
Commission and service income from travel related and other services	22,461	74,603
Trading and retail of jewellery	39,992	48,499
Commission income from sale of jewellery	3,991	4,327
	<u>66,444</u>	<u>127,429</u>

The Group engages in retail business, and the directors of the Company consider that the Group's customer base is diversified and has no customer with whom transactions have exceeded 10% of the Group's revenues for the years ended 31 December 2015 and 2014.

(b) Segment reporting

For management purposes, 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.

For the year ended 31 December 2014, the travel related and other services segment also includes the sale of air tickets and other travel related services principally to travel agents which was ceased upon its Disposal in September 2014.

- 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.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that finance costs is excluded from such measurement.

Segment assets and liabilities include all assets and liabilities with the exception of cash and cash equivalents, short-term borrowings and long-term borrowing which are managed centrally.

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 for the years ended 31 December 2015 and 2014 is set out below.

	Travel related and other services		Trading and retail of jewellery		Investment holding		Total	
	2015	2014 [#]	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
Revenue from external customers	<u>22,461</u>	<u>74,603</u>	<u>43,983</u>	<u>52,826</u>	<u>-</u>	<u>-</u>	<u>66,444</u>	<u>127,429</u>
Segment results	<u>(407)</u>	<u>16,242</u>	<u>227</u>	<u>1,994</u>	<u>34,534</u>	<u>(10,972)</u>	<u>34,354</u>	<u>7,264</u>
<i>Reconciliation:</i>								
Finance costs							<u>(33,525)</u>	<u>(3,936)</u>
Profit before tax							<u>829</u>	<u>3,328</u>
Segment assets	<u>29,752</u>	<u>28,810</u>	<u>27,266</u>	<u>31,283</u>	<u>559,759</u>	<u>68,954</u>	<u>616,777</u>	<u>129,047</u>
<i>Reconciliation:</i>								
Corporate and other unallocated assets							<u>326,605</u>	<u>56,935</u>
Total assets							<u>943,382</u>	<u>185,982</u>
Segment liabilities	<u>31,079</u>	<u>35,389</u>	<u>4,817</u>	<u>4,640</u>	<u>9,943</u>	<u>880</u>	<u>45,839</u>	<u>40,909</u>
<i>Reconciliation:</i>								
Corporate and other unallocated liabilities							<u>506,439</u>	<u>15,594</u>
Total liabilities							<u>552,278</u>	<u>56,503</u>
Other segment information:								
Net loss on financial assets at fair value through profit or loss	-	-	-	-	(526)	(11,062)	(526)	(11,062)
Gain on disposal of subsidiaries	-	-	-	-	-	22,760	-	22,760
Gain on disposal of available-for-sale financial assets	-	-	-	-	17,618	-	17,618	-
Share of profit of an associate	-	-	-	-	3,649	-	3,649	-
Gain on acquisition of an associate	-	-	-	-	34,458	-	34,458	-
Impairment of trade receivables	-	(1,280)	-	-	-	-	-	(1,280)
Gain on disposal of items of property, plant and equipment, net	-	31	2	-	-	-	2	31
Depreciation	(26)	(1,937)	(76)	(76)	(9)	(1)	(111)	(2,014)
Capital expenditure*	<u>(180)</u>	<u>(1,456)</u>	<u>(22)</u>	<u>(153)</u>	<u>(20)</u>	<u>(29)</u>	<u>(222)</u>	<u>(1,638)</u>

[#] Includes the revenue and results of the Wholesale Travel Business from 1 January 2014 to the date of completion of the Disposal.

* Capital expenditure consists of additions to property, plant and equipment.

(ii) *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, 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.

(i) Revenue from external customers

	2015 HK\$'000	2014 <i>HK\$'000</i>
Outside Mainland China (including Hong Kong, place of domicile)	22,461	74,603
Mainland China	43,983	52,826
	66,444	127,429

(ii) Total assets

	2015			2014		
	Non-current assets <i>HK\$'000</i>	Current assets <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Non-current assets <i>HK\$'000</i>	Current assets <i>HK\$'000</i>	Total assets <i>HK\$'000</i>
Outside Mainland China (including Hong Kong, place of domicile)	533,433	341,972	875,405	54,597	98,607	153,204
Mainland China	24,202	43,775	67,977	364	32,414	32,778
	557,635	385,747	943,382	54,961	131,021	185,982

4. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

	2015 HK\$'000	2014 <i>HK\$'000</i>
(a) Finance costs		
Interest on bank and other borrowings repayable within five years	1,163	3,936
Net finance charges in connection with interest-free loans from a related party and a third party	4,845	—
Net foreign exchange loss	27,517	—
	33,525	3,936

	2015 HK\$'000	2014 HK\$'000
(b) Staff costs (including directors' emoluments)		
Wages, salaries and other benefits	26,753	43,398
Pension scheme contributions	1,377	3,752
	<u>28,130</u>	<u>47,150</u>
(c) Other items		
Auditors' remuneration	1,980	820
Depreciation	111	2,014
Minimum lease payments under operating leases in respect of land and buildings	5,592	11,202
	<u>5,592</u>	<u>11,202</u>

5. INCOME TAX

	2015 HK\$'000	2014 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	–	2,727
Over-provision in respect of prior years	(20)	–
	<u>(20)</u>	<u>2,727</u>
Current tax– Mainland China		
Provision for the year	–	59
	<u>(20)</u>	<u>2,786</u>

- (i) Provision for Hong Kong Profits Tax of the Year is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the Year.
- (ii) 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.
- (iii) 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 Year (2014: 25%), except for a newly set up subsidiary of the Group which is a small-scale enterprise and is subject to enterprise income tax at 20% (2014: Nil).

6. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$1,369,000 (2014: HK\$1,029,000) and the weighted average of 9,550,700,000 ordinary shares (2014: 9,117,005,000 shares after adjusting for the share subdivision in 2015) in issue during the Year, calculated as follows:

(i) Weighted average number of ordinary shares

	2015 <i>Number of shares '000</i>	2014 <i>Number of shares '000</i>
Issued ordinary shares at 1 January	1,823,401	1,823,401
Effect of issuance of new shares (Note 12(i))	86,739	–
Effect of share subdivision (Note 12(ii))	7,640,560	7,293,604
	<u>9,550,700</u>	<u>9,117,005</u>
Weighted average number of ordinary shares at 31 December	<u>9,550,700</u>	<u>9,117,005</u>

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2015 and 2014.

7. TRADE RECEIVABLES

	31 December 2015 <i>HK\$'000</i>	31 December 2014 <i>HK\$'000</i>
Trade receivables	<u>29,261</u>	<u>29,089</u>

The Group's trading terms with its customers are on credit with credit periods ranging from 14 to 90 days during the Year (2014: 30 to 90 days), depending on a number of factors including trading practices, collection history and location of customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Ageing analysis

As at the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts, if any, is as follow:

	31 December 2015 <i>HK\$'000</i>	31 December 2014 <i>HK\$'000</i>
Within 90 days	26,539	25,840
91 to 180 days	1,846	1,580
181 to 365 days	754	1,518
Over 365 days	122	151
	<u>29,261</u>	<u>29,089</u>

All trade receivables relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

8. TRADE PAYABLES

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

	31 December 2015 HK\$'000	31 December 2014 HK\$'000
Within 90 days	22,834	34,762
91 to 180 days	2,559	69
181 to 365 days	91	28
Over 365 days	70	30
	<u>25,554</u>	<u>34,889</u>

Included in the trade payables are payables of HK\$20,669,000 (31 December 2014: HK\$28,223,000) due to a non-controlling shareholder of a subsidiary which are repayable within 30 days, which represents similar credit terms to those offered by the non-controlling shareholder to their major customers.

The trade payables are non-interest bearing and are normally settled in 15 to 90 days terms (2014: 15 to 90 days).

9. SHORT-TERM BORROWINGS

The analysis of the carrying amount of short-term borrowings is as follows:

	31 December 2015 HK\$'000	31 December 2014 HK\$'000
Loan from a third party (<i>Note (i)</i>)	52,415	—
Bank loans (<i>Note (ii)</i>)	5,587	7,566
Other borrowings (<i>Note (iii)</i>)	7,730	8,028
	<u>65,732</u>	<u>15,594</u>

Notes:

- (i) The loan is unsecured, non-interest bearing and is repayable on 30 March 2016.
- (ii) Bank loans bear interest at rates ranging from 5.52% to 6.72% (2014: 6.4% to 7.2%) per annum. Certain of the Group's bank loans with total amount of HK\$4,721,000 (31 December 2014: HK\$7,502,000) are guaranteed by Nanjing Minxing Credit Guarantee Co., Ltd., a third party. Such guarantees are further secured by the Group's inventories and other receivables with carrying amount of HK\$7,081,000 and HK\$472,000 as at 31 December 2015, respectively (31 December 2014: HK\$11,255,000 and HK\$758,000 respectively).
- (iii) Other borrowings are unsecured, bear interest ranging from 6.5% to 7% per annum (2014: 7% per annum) and are repayable on demand.

All short-term borrowings as at 31 December 2015 and 2014 are denominated in RMB.

10. LONG-TERM BORROWING

During the Year, the Group obtained a long-term loan of RMB396,900,000 (approximately HK\$484,556,000) 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.

In accordance with the Group's accounting policy, 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\$34,196,000 has been credited to equity as contribution from shareholder of the Company.

11. DIVIDEND

	2015 HK\$'000	2014 HK\$'000
Special dividend, paid, of Nil (2014: HK3.48 cents) per ordinary share	–	63,454

A special dividend of HK3.48 cents per ordinary share was paid to the shareholders of the Company on 1 September 2014 pursuant to an ordinary resolution passed at a extraordinary general meeting held on 29 August 2014.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

12. SHARE CAPITAL

	31 December 2015		31 December 2014	
	Number of ordinary shares '000	HK\$'000	Number of ordinary shares '000	HK\$'000
Authorised:				
At 1 January 2014, 31 December 2014 and 1 January 2015	4,000,000	100,000	4,000,000	100,000
Share subdivision (Note (ii))	16,000,000	–	–	–
At 31 December 2015	<u>20,000,000</u>	<u>100,000</u>	<u>4,000,000</u>	<u>100,000</u>
Issued and fully paid:				
At 1 January 2014, 31 December 2014 and 1 January 2015	1,823,401	45,584	1,823,401	45,584
Issuance of new shares (Note (i))	372,466	9,313	–	–
Share subdivision (Note (ii))	8,783,470	–	–	–
At 31 December 2015	<u>10,979,337</u>	<u>54,897</u>	<u>1,823,401</u>	<u>45,584</u>

Notes:

- (i) On 7 July 2015, the Company entered into a subscription agreement with the subscribers, pursuant to which the subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 372,466,100 subscription shares at the subscription price of HK\$0.74 per subscription share. The subscription was completed on 8 October 2015. The net proceeds of HK\$265,775,000, after deducting transaction costs of HK\$9,850,000, were credited to share capital and share premium at the amount of HK\$9,313,000 and HK\$256,462,000, respectively.
- (ii) On 16 November 2015, the shareholders of the Company approved to subdivide each existing issued and unissued share of HK\$0.025 each in the share capital of the Company into five subdivided shares of HK\$0.005 each.

13. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Summary

- The turnover was approximately HK\$66.44 million for the Year, representing a decrease of 47.9% from approximately HK\$127.43 million for the year ended 31 December 2014. The decrease is mainly attributable to the Disposal, the details of which are set out in the circular of the Company dated 12 August 2014, and upon completion thereof, the Group's revenue in the Travel Related and Other Services Business for the Year only comprised the Corporate Travel Business.

For the year ended 31 December 2014, the Travel Related and Other Services Business also included the Wholesale Travel Business for the period from 1 January 2014 to the date of completion of the Disposal. The Wholesale Travel Business ceased after the Disposal was completed in September 2014.

- The profit was approximately HK\$0.85 million for the Year, representing an increase of 56.6% as compared with the profit of approximately HK\$0.54 million for the year ended 31 December 2014. The relevant increase in profit for the Year was mainly attributable to:
 - (i) a decrease in the profit from the Travel Related and Other Service Business for the Year due to the continued weak global economic environment and the decrease in profit after the Disposal;
 - (ii) a decrease in the profit from the Trading and Retail of Jewellery Business for the Year due to the continued slowdown in economic growth in the PRC from 2014 to 2015, and the decline in prices of gold as a raw material of jewellery which led to a decline in overall sales of gold and jewellery;
 - (iii) the non-recurring expenses of professional fees incurred by the very substantial acquisition of 49% equity interest in China Comfort, the details of which are set out in the VSA Circular and the announcements of the Company dated 22 September 2015, 8 September 2015, 23 August 2015, 30 June 2015, 12 June 2015 and 9 April 2015;
 - (iv) unrealised and realised exchange losses of approximately HK\$16.30 million and HK\$0.70 million respectively and a realised exchange loss of approximately HK\$11.10 million to be recognised due to devaluation of the funds held by the Group in RMB as disclosed in the inside information announcements of the Company dated 31 December 2015 and 9 September 2015;
 - (v) the recognition of a one-off disposal gain on the available-for-sale financial assets for SCC Shares in the amount of approximately HK\$17.62 million during the Year as disclosed in the circular of the Company dated 24 July 2015 and the announcements of the Company dated 2 July 2015, 22 June 2015 and 11 June 2015; and
 - (vi) a non-recurring gain of approximately HK\$34.46 million arising from the acquisition of China Comfort in September 2015 as disclosed in the inside information announcement of the Company dated 4 March 2016.

Business Review

Travel Related and Other Services Business

Following the completion of the disposal of the Group's Wholesale Travel Business on 4 September 2014, only the Corporate Travel Business remains in our Travel Related and Other Services Business for the Year. As a result, this segment recorded a 69.9% decrease in revenue from approximately HK\$74.60 million to approximately HK\$22.46 million and a 102.5% decrease in operating profit from approximately HK\$16.24 million to approximately HK\$0.41 million operating loss for the Year as compared to the year ended 31 December 2014.

In the Year, 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 industry and the fiscal tightening by the Central People's Government of 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.

The Group took the strategy to seek for more suppliers and business partners in order to control purchase costs effectively and maintain a longer payment terms with such partners. 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 Business

The Trading and Retail of Jewellery Business 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 economic growth in the PRC from 2014 to 2015 and the decline in prices of gold as a raw material of jewellery led to a decline in overall sales of the gold and jewellery industry.

For the Year, this segment recorded a 16.7% decrease in revenue from approximately HK\$52.83 million to approximately HK\$43.98 million and the decrease of profit from operation for approximately HK\$1.77 million as compared to the year ended 31 December 2014.

The Group will make every effort to improve sales in its trading and retail of jewellery business amid the sluggish economic environment in 2016. The Group will monitor the gross margin, fine-tune the related product categories and seek different sources of supply to promote sales and accelerate turnover. The Group will also seek and develop new markets with potential of larger 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 implemented.

Investments Holding

Disposal of SCL Shares

Reference is made to the Company's announcement dated 12 January 2015. On 8 January 2015, 9 January 2015 and 12 January 2015, Worldunity Investments Limited ("**Worldunity**"), an indirect wholly-owned subsidiary of the Company, disposed of 22,000,000, 18,240,000 and 46,841,856 shares of South China Land Limited (Stock Code: 8155) (the "**SCL Shares**") respectively on market.

Disposal of SCC Shares

Reference is made to the Company's announcements dated 2 July 2015, 22 June 2015 and 11 June 2015 and the Company's circular dated 24 July 2015. On 11 June 2015, Worldunity entered into the placing agreement with South China Securities Limited as placing agent, pursuant to which Worldunity agreed to appoint South China Securities Limited as agent for Worldunity to procure, on a best effort basis, placees to subscribe for up to 64,128,416 SCC Shares. The transaction was completed on 15 June 2015 with 64,128,416 SCC Shares disposed by the Group.

For the Year, the Group recognized a disposal loss on financial assets at fair value through profit or loss for SCL Shares in the amount of approximately HK\$0.53 million and a one-off disposal gain on the available-for-sale financial assets of SCC Shares in the amount of approximately HK\$17.62 million.

After the above disposals, as at 31 December 2015, the Group no longer held any SCL Shares nor any SCC Shares.

Liquidity and Financial Resources

During the Year, the Group's operations and investments were mainly financed by internal resources, bank and other borrowings and loan from a related party. As at 31 December 2015, the Group's cash and cash equivalent amounted to approximately HK\$326.61 million (2014: HK\$56.94 million), of which the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK\$285.43 million (2014: HK\$1.49 million), representing an increase of 4.74 times as compared to the year ended 31 December 2014.

The increase of cash and cash equivalent was mainly attributable to the following:

- (i) during the Year, the Group fully sold the SCC Shares and SCL Shares at a total cash consideration of approximately HK\$49.09 million; and
- (ii) a subscription agreement was entered into on 7 July 2015, for subscription of 372,466,100 new ordinary shares of the Company by 19 subscribers who were third parties independent of and not connected with the Company and its connected persons at a subscription price of HK\$0.74 per subscription share for gross proceeds amounted to approximately HK\$275.62 million. Following the completion of the aforesaid share subscription on 8 October 2015, the Group's liquidity has been further enhanced.

As at 31 December 2015, the Group's bank loans were approximately HK\$5.59 million (2014: HK\$7.57 million), all of which were denominated in RMB. The bank loans were secured and the range of effective interest rate on bank borrowings for the Year ranged from 5.52% to 6.72% per annum (2014: 6.4% to 7.2% per annum).

As at 31 December 2015, the Group's other borrowings were approximately HK\$7.73 million (2014: HK\$8.03 million), all of which were denominated in RMB. The other borrowings were unsecured and the interest rate on other borrowings for the Year ranged from 6.5% to 7% per annum (2014: 7% per annum).

As at 31 December 2015, the Group had a current ratio of 3.46 (2014: 2.32). The Group had net debt of approximately HK\$179.83 million as at 31 December 2015, of which it included a non-interest long-term borrowing from a related party, and the gearing ratio of 31% was computed as the net debt divided by the sum of total equity and net debt. The gearing ratio of 2014 was not applicable as the Group was in net cash position as at 31 December 2014.

Pledges of Assets, Contingent Liabilities and Commitments

As at 31 December 2015, a significant portion of the borrowings was for normal trading purposes with the level of borrowings depending on the level of trading activities. Certain of the Group's inventories and other receivable with carrying value of approximately HK\$7,081,000 (2014: HK\$11,255,000) and approximately HK\$472,000 (2014: HK\$758,000) respectively had been pledged to secure banking facilities.

The Group did not have any significant contingent liabilities as at 31 December 2015 (2014: Nil), nor any significant capital commitments as at 31 December 2015 (2014: Nil).

Acquisition of China Comfort

Equity Transfer Agreement

As disclosed in the VSA Circular, on 26 March 2015, an indirect wholly-owned subsidiary of the Company, Shenzhen Dongsheng Huamei Cultural Travel Company Limited* (深圳東勝華美文化旅遊有限公司) (the "**Purchaser**"), entered into an equity transfer agreement with 36 natural persons (the "**Vendors**") who are third parties independent of and not connected with the Company and its connected persons and China Comfort, pursuant to which the Vendors conditionally agreed to sell, and the Purchaser conditionally agreed to purchase 49% equity interest in China Comfort in aggregate, at a total consideration of RMB441,000,000 (the "**Acquisition**"). As disclosed in the Company's announcement dated 22 September 2015, completion of the Acquisition took place on 22 September 2015.

Framework Agreement

As disclosed in the VSA Circular, on 26 March 2015, the Purchaser, Mr. Li Jilie (acting on behalf of the Vendors), Beijing Tourism Group Company Limited* (北京首都旅遊集團有限責任公司) and China Comfort entered into a framework agreement, which set out the framework upon which the parties thereto would cooperate with one another in developing and managing China Comfort after the Acquisition.

Saved as disclosed herein, the Group had no material acquisition or disposal of subsidiaries or associated companies during the Year.

Issue of New Shares

As disclosed in the VSA Circular, on 7 July 2015, the Company (as issuer) with some of the Vendors and Hwabao Trust Company Limited (both as subscribers), and some of the Vendors (as guarantors) entered into a subscription agreement, pursuant to which the subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, an aggregate of 372,466,100 subscription shares at the subscription price of HK\$0.74 per subscription share to the subscribers.

The aggregate subscription shares represented approximately 20.43% of the then issued share capital of the Company as at the date of the subscription agreement and approximately 16.96% of the enlarged issued share capital of the Company at completion.

As disclosed in the Company's announcement dated 8 October 2015, completion of subscription took place on 8 October 2015. The net proceeds raised by the Company from the subscription was approximately HK\$265.77 million after deducting transaction costs of approximately HK\$9.85 million.

Share Subdivision and Change in Board Lot Size

As disclosed in the circular of the Company dated 30 October 2015, each of issued and unissued shares of the Company of the then par value of HK\$0.025 each in the share capital of the Company was subdivided into five (5) subdivided shares (the “**Subdivided Shares**”) of par value of HK\$0.005 each (the “**Share Subdivision**”). Upon the Share Subdivision becoming effective on 17 November 2015, the Subdivided Shares rank *pari passu* with each other in all respects and the Share Subdivision does not by itself result in any change in the rights of the shareholders of the Company or odd lots of the Subdivided Shares. The board lot size of the shares of the Company for trading on the Stock Exchange also changed from 5,000 shares of HK\$0.025 each to 10,000 Subdivided Shares upon the Share Subdivision becoming effective.

Events After the Reporting Period

Proposed Issue of the Perpetual Convertible Securities

As disclosed in the circular of the Company dated 29 January 2016, the Company as issuer, Mr. Shi Baodong (the ultimate controlling shareholder of the Company) and Longtrade Genesis Limited as guarantors, and Chance Talent Management Limited and Outstanding Global Holdings Limited as investors (the “**Investors**”) entered into an investment agreement dated 27 June 2015 as amended and supplemented by a supplemental agreement dated 8 January 2016 (the “**Investment Agreement**”) in relation to, among other things, the issue of, in aggregate of principal amount of HK\$170,000,000, with distribution rate of 6 per cent secured perpetual convertible securities (the “**Perpetual Convertible Securities**”) to the Investors under a specific mandate at the initial conversion price of HK\$0.5436 (the “**Conversion Price**”) per conversion share to be allotted and issued upon the exercise of the conversion rights attaching to the Perpetual Convertible Securities.

Upon full conversion of the Perpetual Convertible Securities at the Conversion Price, the Perpetual Convertible Securities will be convertible into 312,729,950 Conversion Shares, representing approximately 2.85% of the issued share capital of the Company and approximately 2.77% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Perpetual Convertible Securities as at 26 January 2016. The independent shareholders of the Company approved the Investment Agreement and the transactions contemplated thereunder at the extraordinary general meeting of the Company held on 19 February 2016. The transactions contemplated under the Investment Agreement is expected to complete no later than 31 March 2016.

Provision of guarantee

A guarantee agreement dated 3 March 2016 was entered into by, an indirect wholly-owned subsidiary of the Company, Donghui Hong Kong Holdings Limited (“**Donghui HK**”) with China Comfort, of which Donghui HK agreed to secure the mainland borrowing of China Comfort against a letter of credit issued by Donghui HK in favour of China Comfort as a security for the entire repayment of its mainland borrowing amounting to RMB28,820,000. The terms of the provision of guarantee shall be from 28 February 2016 to 27 February 2017.

As the applicable percentage ratios under the Listing Rules in relation to the provision of guarantee are less than 5%, the transaction contemplated under the provision of guarantee does not constitute a disclosable transaction under Chapter 14 of the Listing Rules.

Prospects

Travel Related and Other Services Business

For our Corporate Travel Business, despite suffering from unfavourable factors such as weak global economic environment, intense competition in the industry and fiscal tightening by the Central People’s Government of the PRC, it will continue to benefit from the global aviation market due to the continual drop in oil price. The Company will deploy resources in marketing, promotion and technology, enhancing our market position in the corporate travel market, including the MICE sector (Meetings, Incentives, Conferences and Exhibitions) and hotel booking business as appropriate. We will continue to focus on internal training. Further, in order to offer better quality services to customers and to benefit from market growth potential, we will join hands with our Hong Kong and overseas partners in the travel industry to roll out an internet booking platform for corporate travels.

Following our dedicated effort in the Year, we had successfully completed the acquisition of 49% equity interests in China Comfort on 22 September 2015. China Comfort represents a reputable brand in the travel market in the PRC and continuously ranked as one of the Top 10 Travel Agency Groups in China by China National Tourism Administration. In 2010, “Comfort Travel” had been named as a famous trademark in China by the State Administration for Industry of Commerce of the PRC.

The Board considers that the acquisition of China Comfort enabled the Group to further expand and broaden the spectrum its Travel Related and Other Services Business into the PRC market. The Board believes that through the Acquisition, the Group will be able to broaden and strength its revenue stream and have access to the massive PRC market through the extensive network of China Comfort in the PRC.

Trading and Retail of Jewellery Business

For our jewellery business, we intend to cope with the gloomy outlook of the bullion and jewellery markets by taking the following initiatives: firstly, we will step up our marketing efforts so as to grasp a larger market share; secondly, we intend to increase the turnover of bullion, increase the variety of our jewellery products, especially those with innovative designs, and follow the policy of small profits and quick turnover so as to increase sales revenue.

New Business Update

- (a) The Group is exploring other potential business opportunity in financial services related business by acquiring a licensed corporation to carry out the regulated activities under Securities and Futures Ordinance in Hong Kong and the acquisition is still under process.
- (b) The Company has envisaged a gradual development of business in the health care market in the PRC as disclosed in the annual report of the Company for the year ended 31 December 2014. Updates of the development are as follows:
 - 1. The Group carried out its strategic plan in Beijing by establishing Beijing Dongsheng Huayu Health Management Limited* (北京東勝華譽健康管理有限公司) (“**Beijing Huayu**”) in March 2015 with a registered capital of HK\$40 million, which is wholly owned by the Company. Its principal activities include health management, medical information consultation, goods import and export, technology import and export as well as computer software technology development.
 - 2. Currently, the management of Beijing Huayu is formulating the development strategy and preparing a business plan according to its initial stage of studies.

The Company will, as and when necessary, make announcement(s) in relation to the above new business plans in compliance with the Listing Rules.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2015, the total number of employees of the Group was 138 (2014: 139). The employees are remunerated based on their work performance, professional experience and prevailing industry practices.

In addition to salary, other fringe benefits such as provident fund, 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.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2014: Nil).

CORPORATE GOVERNANCE

The Company had complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct for dealings in securities of the Company by the Directors (the “**Code**”).

Specific enquiries have been made with all Directors, who have confirmed that they complied with the required standards set out in the Code during the Year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Year, 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.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Listing Rules. The Audit Committee presently comprises two independent non-executive Directors, namely Mr. Law Wang Chak, Waltery (being the chairman) and Mr. He Qi, and a non-executive Director, namely Mr. Li Yankuan.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this preliminary announcement have been compared by the Company's external auditor, KPMG, Certified Public Accountants, with the amounts set out in the Group's draft consolidated financial statements for the Year and the amounts were found to be in agreement.

The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by KPMG on this preliminary announcement.

The Audit Committee has met KPMG, and reviewed the annual results for the Year and has recommended its adoption by the Board.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The electronic version of this announcement will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.orientvictorychina.com.hk).

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

Hong Kong, 24 March 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.

* *For identification purpose only*