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ORIENT VICTORY TRAVEL GROUP COMPANY LIMITED

東勝旅遊集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED DISPOSAL OF 49% EQUITY INTEREST IN THE TARGET COMPANY

THE EQUITY TRANSFER AGREEMENT

On 26 March 2020 (after trading hours), the Vendor (as vendor), an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with OVCT (as purchaser), pursuant to which the Vendor conditionally agreed to sell, and OVCT conditionally agreed to acquire, 49% equity interest in the Target Company at the Consideration of RMB320,000,000 (equivalent to approximately HK\$358,400,000) subject to the terms of the Equity Transfer Agreement. Upon completion of the Disposal, the Target Company will be owned as to 51% by Beijing Tourism Group and 49% by OVCT.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Disposal under the Equity Transfer Agreement exceeds 75%, the Disposal constitutes a very substantial disposal for the Company pursuant to Rule 14.06(4) of the Listing Rules and is therefore subject to reporting, announcement, circular and Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Besides, as at the date of this announcement, OVCT is owned as to 98% by Mr. Shi, the chairman of the Board, the chief executive officer and an executive Director, and the remaining 2% is owned by Mr. Song Shaofeng (an Independent Third Party). As OVCT is owned as to 98% by Mr. Shi, OVCT is an associate of Mr. Shi and thus a connected person of the Company. Therefore, the Disposal under the Equity Transfer Agreement also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to Independent Shareholders' approval at EGM.

GENERAL

The Company will convene an EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder. An Independent Board Committee comprising all the independent non-executive Directors will be established by the Company to consider the Equity Transfer Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms or better and fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

A circular containing, among other things, information relating to the Equity Transfer Agreement, further information on the Disposal and a notice of EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 20 April 2020.

Completion of the Disposal is conditional upon the satisfaction of the conditions set out in the section headed "The Equity Transfer Agreement – Conditions Precedent" in this announcement, including the approval of the Equity Transfer Agreement and the Disposal contemplated thereunder by Independent Shareholders at EGM. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares of the Company.

INTRODUCTION

On 26 March 2020 (after trading hours), the Vendor (as vendor), an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with OVCT (as purchaser), pursuant to which the Vendor conditionally agreed to sell, and OVCT conditionally agreed to acquire, 49% equity interest in the Target Company at the Consideration of RMB320,000,000 (equivalent to approximately HK\$358,400,000) subject to the terms of the Equity Transfer Agreement. Upon completion of the Disposal, the Target Company will be owned as to 51% by Beijing Tourism Group and 49% by OVCT.

THE EQUITY TRANSFER AGREEMENT

Principal terms of the Equity Transfer Agreement are summarized below:

Date: 26 March 2020

Parties: (1) Shenzhen Dongsheng Huamei Cultural Travel Company Limited* (深圳東勝華美文化旅遊有限公司) (i.e. the Vendor) as vendor; and

(2) Orient Victory Cultural Tourism Group Co., Limited* (東勝文化旅遊集團有限公司) (i.e. OVCT) as purchaser.

Assets to be disposed of

Pursuant to the Equity Transfer Agreement, the Vendor conditionally agreed to sell, and OVCT conditionally agreed to acquire, 49% equity interest in the Target Company.

As at the date of this announcement, the Target Company is owned as to 49% by the Vendor and 51% by Beijing Tourism Group.

Upon completion of the Disposal, the Target Company will be owned as to 49% by OVCT and 51% by Beijing Tourism Group.

Consideration and payment terms

The Consideration for the Disposal, pursuant to the Equity Transfer Agreement, is RMB320,000,000 (equivalent to approximately HK\$358,400,000), which is to be settled in cash in the following manner:

- (1) a deposit in the sum of RMB32,000,000 (equivalent to approximately HK\$35,840,000) shall be paid within 5 business days from the date of the Equity Transfer Agreement;
- (2) a further deposit in the sum of RMB192,000,000 (equivalent to approximately HK\$215,040,000) shall be paid within 5 business days from the date of fulfilment of all the conditions precedent; and
- (3) the balance of the Consideration in the sum of RMB96,000,000 (equivalent to approximately HK\$107,520,000) shall be paid within 5 business days after Completion.

Settlement of shareholder's loans

OVCT shall within 5 business days after Completion, by way of cash, settle the outstanding shareholder's loans owing by the Target Company to the Vendor in the aggregate sum of RMB32,340,000 (equivalent to approximately HK\$36,220,800) as at the date of this announcement on behalf of the Target Company.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Vendor and OVCT after taking into account (i) the historical financial performance and position of the business of the Target Group for the financial years ended 31 December 2017, 2018 and 2019; (ii) the prospect of the business of the Target Group; and (iii) the unaudited consolidated net assets attributable to the 49% equity interest in the Target Company as at 31 December 2019 of approximately RMB308,000,000 (equivalent to approximately HK\$343,518,000).

Conditions Precedent

Completion of the Disposal is conditional upon:

- (1) the passing of the requisite resolutions by the Independent Shareholders at EGM for the approval of the Equity Transfer Agreement and the transactions contemplated thereunder;
- (2) all necessary valid consents, approvals, waivers or necessary notice from the relevant parties, government or authorities having been obtained; and
- (3) for the purposes of the Equity Transfer Agreement and the transactions contemplated thereunder, all necessary requirements under the Listing Rules having been complied with.

Completion

Within 5 business days after the fulfilment of all the conditions precedent, the Vendor and OVCT shall procure the Target Company to apply to the Administration for Industry and Commerce for registration update. Completion of the registration update shall be the date of Completion.

Completion shall take place as soon as practicable but in any event not later than the Long Stop Date.

INFORMATION OF THE TARGET COMPANY

The Target Company was established in the PRC in 1987 and has been an associate of the Company since 2015. As at the date of this announcement, the Target Company is owned as to 49% by the Vendor and 51% by Beijing Tourism Group, and its total registered capital is RMB70,000,000 (equivalent to approximately HK\$78,400,000). The principal activities of the Target Company are provision of travel agent services in the PRC, including domestic travel, outbound travel and inbound travel, and provision of brand name for the franchisees.

Set out below is a summary of the unaudited consolidated financial information of the Target Group recognized on the consolidated financial statements of the Company:

	For the year ended 31 December 2019 (unaudited) HK\$'000	For the year ended 31 December 2018 (unaudited) HK\$'000	For the year ended 31 December 2017 (unaudited) HK\$'000
Net loss	(19,886)	(34,918)	(27,587)
Total assets	1,250,414	1,322,983	1,375,568
Net assets	701,058	735,580	814,837

INFORMATION OF THE COMPANY

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of diversified tourism products and services, the provision of integrated development and investment holding.

INFORMATION OF OVCT

OVCT is a company incorporated in the PRC and is principally engaged in real estate, tourism and leisure-related businesses, and is owned as to 98% by Mr. Shi, the chairman of the Board, the chief executive officer and an executive Director, and the remaining 2% is owned by Mr. Song Shaofeng (an Independent Third Party). Mr. Shi is also a controlling shareholder of the Company holding, including through Orient Victory Real Estate Group Holdings Limited (東勝置業集團控股有限公司), 7,784,802,880 Shares (representing approximately 60.24% of the entire issued share capital of the Company as at the date of this announcement).

FINANCIAL IMPACT OF THE DISPOSAL AND USE OF PROCEEDS

Upon completion of the Disposal, the Group will cease to hold any equity interest in the Target Company and the Target Company will cease to be an associate of the Company. The Company estimates to record an investment gain of not less than HK\$8 million (before tax and based on the unaudited consolidated net assets attributable to the 49% equity interest in the Target Company as at 31 December 2019) upon completion of the Disposal (the actual amount of which is subject to the audit results), and the cash flow of the Company will be increased by approximately HK\$390 million.

The above financial impact is shown for illustrative purpose only and the final gain or loss as a result of the Disposal to be recorded by the Company is subject to the audit results which will be assessed after Completion.

The Directors currently intend to apply the net proceeds from the Disposal (after deducting relevant costs and expenses in connection with the Disposal) as general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

In the view that the Target Group recorded consolidated net losses for the four years ended 31 December 2016, 2017, 2018 and 2019 and that, during the year ended 31 December 2016, the Target Group had recorded a significant impairment on intangible assets, it was resolved by the Board to proceed with the Disposal with a view to improving the Group's financial status and reducing the risk of having further losses and impairment derived from the Target Company. In addition, the Company is of the view that through the Disposal, the Company will be able to optimize and adjust its asset structure to increase the liquidity of assets, improve the efficiency of the use of the Company's assets and gain certain benefits therefrom. As such, the Board considers that the Disposal is in the interest of the Company and the Shareholders as a whole.

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Besides, as at the date of this announcement, OVCT is owned as to 98% by Mr. Shi, the chairman of the Board, the chief executive officer and an executive Director, and the remaining 2% is owned by Mr. Song Shaofeng (an Independent Third Party). As OVCT is owned as to 98% by Mr. Shi, OVCT is an associate of Mr. Shi and thus a connected person of the Company. Therefore, the Disposal under the Equity Transfer Agreement also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to Independent Shareholders' approval at EGM.

GENERAL

The Company will convene an EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder. An Independent Board Committee comprising all the independent non-executive Directors will be established by the Company to consider the Equity Transfer Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms or better and fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

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DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“Beijing Tourism Group”	Beijing Tourism Group Company Limited* (北京首都旅遊集團有限責任公司), a state-owned enterprise and a company established in the PRC which holds 51% equity interest in the Target Company as at the date of this announcement
“Board”	the board of Directors
“Company”	Orient Victory Travel Group Company Limited (東勝旅遊集團有限公司), a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Completion”	Completion of the Disposal in accordance with the terms and conditions of the Equity Transfer Agreement
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules

“Consideration”	consideration for the sum of RMB320,000,000 (equivalent to approximately HK\$358,400,000) payable by OVCT to the Vendor for the acquisition of 49% equity interest in the Target Company pursuant to the Equity Transfer Agreement
“Director(s)”	the directors of the Company
“Disposal”	the disposal of 49% equity interest in the Target Company
“EGM”	an extraordinary general meeting of the Company to be convened and held to approve the Equity Transfer Agreement and the transactions contemplated thereunder
“Equity Transfer Agreement”	the equity transfer agreement entered into between the Vendor as vendor and OVCT as purchaser on 26 March 2020 in relation to the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the board committee of the Company comprising all independent non-executive Directors, namely Mr. Dong Xiaojie, Mr. He Qi and Mr. Swei Feng-jih, to be established to make recommendation to the Independent Shareholders in respect of the terms of the Equity Transfer Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who are not prohibited under the Listing Rules from voting on a resolution to approve the relevant transaction at EGM
“Independent Third Party”	a third party independent of, and not connected with, the Company and its connected person
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 July 2020 (or such other later date as agreed between the Vendor and OVCT)

“Mr. Shi”	Mr. Shi Baodong (石保棟), the chairman, the chief executive officer and an executive Director as well as a controlling shareholder of the Company
“OVCT”	Orient Victory Cultural Tourism Group Co., Limited* (東勝文化旅遊集團有限公司), a company incorporated in the PRC and is owned as to 98% by Mr. Shi
“PRC”	the People’s Republic of China which, for the purpose of this announcement, does not include Hong Kong, Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	ordinary share(s) of HK\$0.005 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the share(s) of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	China Comfort Travel Group Company Limited* (中國康輝旅遊集團有限責任公司), a company established in the PRC and its equity interest is owned as to 51% and 49% by Beijing Tourism Group and the Vendor respectively, as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Shenzhen Dongsheng Huamei Cultural Travel Company Limited* (深圳東勝華美文化旅遊有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company which holds 49% equity interest in the Target Company as at the date of this announcement
“%”	per cent

By order of the Board
Orient Victory Travel Group Company Limited
Shi Baodong
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 26 March 2020

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Shi Baodong, Mr. Zhao Huining and Mr. Mo Yueming, one non-executive Director, being Ms. Song Sining, and three independent non-executive Directors, being Mr. Dong Xiaojie, Mr. He Qi and Mr. Sui Feng-jih.

For illustrative purpose of this announcement and unless otherwise specified, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.12.

** for identification purpose only*