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## **ORIENT VICTORY CHINA HOLDINGS LIMITED**

### **東勝中國控股有限公司**

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 265)**

## **DISCLOSEABLE TRANSACTION**

### **ACQUISITION OF 78% OF THE ISSUED SHARE CAPITAL OF NIBOU COMPANY LIMITED**

#### **THE ACQUISITION**

The Board is pleased to announce that, on 10 March 2017 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company), the Vendor and the Vendor's Guarantors entered into the Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell the Sale Shares (representing 78% of the issued share capital of the Target Company) at the Shares Consideration of JPY103,740,000 (equivalent to approximately HK\$7,053,283).

#### **LISTING RULES IMPLICATION**

As one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Board is pleased to announce that, on 10 March 2017 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor and the Vendor's Guarantors entered into the Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell the Sale Shares.

Details of the Agreement are set out as follows:

#### **THE AGREEMENT**

##### **Date**

10 March 2017 (after trading hours)

## **Parties to the Agreement**

- (1) Purchaser: Yield Quality Investment Limited
- (2) Vendor: Ippa Kitazono (北園一波)
- (3) Vendor's Guarantors: Mr. Zhang Jie and Mr. Hui Wan Sang

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the Vendor and the Vendor's Guarantors are Independent Third Parties.

## **Assets to be acquired**

The Vendor shall sell the Sale Shares, representing 78% of the issued share capital of the Target Company to the Purchaser.

## **Consideration**

The Shares Consideration for the sale and purchase of the Sale Shares shall be JPY103,740,000 (equivalent to approximately HK\$7,053,283), which shall be satisfied by the Purchaser to the Vendor in cash in the following manner:

- (a) the Earnest Money in the amount of HK\$1,000,000 (equivalent to JPY14,708,045) paid under the Exclusivity Agreement, shall apply toward the pro tanto part of the Shares Consideration upon signing of the Agreement;
- (b) a retention money in the sum of JPY38,900,000 (the "**Retention Money**") shall be paid by the Purchaser to the Escrow Agent on the Completion Date, which, having deducted any claims and deductions during the eighteen months from the Completion Date, shall be released to the Vendor within three (3) Business Days after expiry of such eighteen-month period; and
- (c) the remaining balance of the Shares Consideration (ie the Shares Consideration minus the Earnest Money minus Retention Money) shall be paid upon Completion.

The Shares Consideration has been arrived at after arm's length negotiations between the Purchaser and the Vendor and on normal commercial terms, taking into account the unaudited total asset value and net liabilities value of the Target Company as at 31 December 2016, the prospects of the business of the Target Company, the financial position for the Target Company, the value of the Properties, the value of the Target Company and the Shareholder's Loan and the Third Party's Loans (as defined below) and other facts set out in the paragraph headed "Reasons for and Benefits of the Acquisition". The Company intends to finance the Acquisition by the internal resources of the Group.

## **Profit Guarantee**

Pursuant to the Agreement, the Vendor and the Vendor's Guarantors shall jointly and severally guarantee to the Purchaser that the Target Company shall achieve the following consolidated net profit before tax and before extraordinary items (the "**NPBT**") as shown in the consolidated management account of the Target Company for the financial year ending 30 June 2018 prepared in accordance with International Financial Reporting Standards ("**IFRS**") (the "**2018 Management Account**"):

- (a) for the financial year ending 30 June 2018, the NPBT shall not be less than JPY41,000,000 (the "**Guaranteed 2018 NPBT**").

In the event that the actual NPBT (excluding extraordinary items) for the financial year ending 30 June 2018 as shown in the 2018 Management Account (the "**Actual 2018 NPBT**") falls below JPY41,000,000, the Vendor and the Vendor's Guarantors shall jointly and severally pay the Purchaser an amount equal to 2.5 times the shortfall between the Actual 2018 NPBT and the Guaranteed 2018 NPBT in cash within 15 Business Days after the date on which the Actual 2018 NPBT (excluding extraordinary items) is determined.

In the event that the Target Company records net loss (or nil profit (as the case may be)) for the financial year ending 30 June 2018, the Vendor and the Vendor's Guarantors shall jointly and severally pay to the Purchaser an amount equal to 2.5 times the total amount of the operating loss (excluding extraordinary items) of the Target Company as shown in the 2018 Management Account plus JPY41,000,000 in cash within 15 Business Days after the date on which the 2018 Management Account is released. Such amount payable to the Purchaser shall be capped at JPY200,000,000.

## **Conditions Precedent**

Completion shall be subject to and conditional upon the fulfillment (or waiver, where applicable) of the following Conditions Precedent:

- (a) the passing of the resolutions by the sole shareholder of the Target Company to approve the execution of the Agreement, the Deed of Assignment of Shareholder's Loan and the Deed of Assignment of Third Party's Loans and undertakings and confirmations and such other agreements and documents pursuant to or in connection with the Agreement and the transfer of the Sale Shares and the Shareholder's Loan from the Vendor to the Purchaser and to amend its Articles of Incorporation by deleting the scope of businesses other than the following:
  - (i) acquisition, disposal, maintenance, management, administration, rent and lease of real estate as well as the mediation of the foregoing;
  - (ii) management of health facility, restaurant and hotel; and
  - (iii) all other business activities incidental to the foregoing.
- (b) the Target Company having delivered to the Purchaser the list of shareholders of the Target Company from the incorporation of the Target Company, which shows that the Vendor is the sole shareholder of the Target Company;

- (c) the Vendor and the Vendor's Guarantors having executed a memorandum or deed to declare, undertake and confirm that there is no trust arrangement or whatsoever in respect of the Sale Shares and that any documents executed by the Vendor and the Vendor's Guarantors purported to establish a trust arrangement in respect of the Sale Shares shall no longer have any legally binding effect, and having delivered such memorandum or deed to the Purchaser, in a form to the satisfaction of the Purchaser;
- (d) the Vendor and the Target Company having executed and delivered to the Purchaser a deed of confirmation to confirm and undertake that the Target Company has all the licences, approvals, consents and/or contractual and other rights to use the relevant land;
- (e) the Vendor and the Target Company having executed and delivered to the Purchaser a deed of confirmation to confirm and undertake that the lease agreements of the Target Company are valid and enforceable and in full force and effect prior to Completion, in a form to the satisfaction of the Purchaser;
- (f) the Vendor and the Target Company having executed and delivered to the Purchaser a deed of confirmation to confirm and undertake that the Target Company has all approvals and licenses to use the trademark titled "kyu-saikeien", in a form to the satisfaction of the Purchaser;
- (g) the Vendor and the Target Company having executed and delivered to the Purchaser a labour-management agreement with a representative of employees of the Target Company on overtime work and work on statutory days-off in writing, in a form to the satisfaction of the Purchaser;
- (h) the result of a due diligence exercise to be carried out by the Purchaser on the Target Company being satisfactory to the Purchaser (in its absolute discretion) in all respects;
- (i) the approval from shareholders of the Company on the Agreement and the transactions contemplated thereunder pursuant to the requirements under the Listing Rules (if necessary);
- (j) all necessary consents, confirmations, permits, approvals, licences and authorisations having been obtained from all relevant governmental, regulatory and other authorities, agencies and departments in Japan and Hong Kong in connection with the transactions contemplated under the Agreement, the implementation of and all other matters incidental to the Agreement as a result of the transactions contemplated under the Agreement and all the conditions and requirements having been duly complied with (if required);
- (k) all other necessary waivers, consents and approvals (if required) in relation to the Purchaser, its holding company(ies) and shareholder(s) and director(s) from the relevant governmental or regulatory authorities in Hong Kong and other applicable jurisdictions required for the Agreement and the transactions contemplated therein being obtained;
- (l) no legal or disciplinary proceedings being instituted against the Target Company or any of its directors or officers by any regulatory authority prior to Completion;
- (m) there having been no material adverse change to the Target Company from 9 March 2017 to the Completion Date;

- (n) all the warranties given by the Vendor under the Agreement remaining true and accurate as at the Completion and each of the Vendor and the Vendor's Guarantors having performed or complied, in all material respects, with its covenants and agreements contained therein and required to be performed or complied with by the Vendor and Vendor's Guarantors at or prior to the Completion Date;
- (o) the licence and registration in connection with or relating to the Properties from the relevant regulatory authorities in Japan to carry out the Business under any applicable law not having been revoked or made conditional;
- (p) the Deed of Assignment of Shareholder's Loan and the Deed of Assignment of Third Party's Loans having been duly executed upon or prior to Completion;
- (q) the Target Company having executed a letter of consent to the assignment of loans (without objection) as of the date of Completion pursuant to the Deed of Assignment of Shareholder's Loan and the Deed of Assignment of Third Party's Loans;
- (r) all loans (together with the relevant interests) owing to TopLine Kabushiki Kaisha and Kabushiki Kaisha Toei Corporation by the Target Company having been settled in full and the Mortgages having been released and discharged in full (including but not limited to the completion of the removal and deletion of the Mortgages from the real estate registration in Japan);
- (s) the Loan Agreement and the Share Pledge having been duly executed in such form as satisfactory to the Purchaser;
- (t) the receipts issued by TopLine Kabushiki Kaisha and Kabushiki Kaisha Toei Corporation, which evidence that the loans from such companies under the Mortgages have been paid in full and all documents for discharging and releasing the Mortgages in full from the real estate registration in Japan (including but not limited to an agreement in relation to the full discharge and release of each of the Mortgages) having been provided to the Purchaser; and
- (u) the Vendor and the Vendor's Guarantors having performed all of their obligations under the Agreement, the Deed of Assignment of Shareholder's Loan, the Deed of Assignment of Third Party's Loans, the Loan Agreement and the Share Pledge.

The Purchaser shall have the discretion to waive all or any part of the Conditions Precedent set out above and any waiver so granted may be subject to such conditions as the Purchaser may deem fit. Save as so waived, the parties to the Agreement shall use their respective best endeavours to ensure that the Conditions Precedent shall be fulfilled as soon as possible after execution of the Agreement, and in any event no later than the Long Stop Date.

If the Conditions Precedent are not fulfilled or waived on the Long Stop Date, the Vendor shall within three (3) Business Days after the Long Stop Date refund to the Purchaser the Earnest Money and all monies paid by the Purchaser to the Vendor and/or the Vendor's Guarantors under the Agreement (including accrued interests) and the Agreement shall automatically terminate and none of the parties to the Agreement shall have any claim of any nature or liabilities thereunder whatsoever against any of the other parties under the Agreement (save for any antecedent breaches of the terms thereof).

## **Completion**

Upon fulfilment or waiver of all the Conditions Precedent, Completion shall take place on the Completion Date.

After Completion, the Purchaser will hold 78% of the entire issued share capital of the Target Company, which will become an indirect non-wholly-owned subsidiary of the Company. Accordingly, the financial statements of the Target Company will be consolidated into the financial statements of the Group.

## **Deed of Assignment of Shareholder's Loan**

Upon Completion, the Vendor as the assignor, the Vendor's Guarantors as the assignor's guarantors, the Purchaser as the assignee and the Target Company shall execute a deed of assignment of the Shareholder's Loans, pursuant to which the Vendor shall assign part of the Shareholder's Loan in the sum of JPY21,425,500 owing to him by the Target Company to the Purchaser at a consideration of JPY21,425,500 (the "**Deed of Assignment of Shareholder's Loan**").

## **Deed of Assignment of Third Party's Loans**

Mr. Hui provided loans to the Target Company in an aggregate sum of JPY292,011,000 (equivalent to approximately HK\$19,853,828). The Target Company is at the date of this announcement indebted to Mr. Hui the above interest-free loans in the amount of JPY292,011,000 (equivalent to approximately HK\$19,853,828) (the "**Third Party's Loans**").

Upon Completion, Mr. Hui as the assignor, the Vendor and Mr. Zhang Jie as the assignor's guarantors, the Purchaser as the assignee and the Target Company shall execute a deed of assignment of the Third Party's Loans, pursuant to which Mr. Hui shall assign part of the Third Party's Loans owing to him by the Target Company to the Purchaser at a consideration of JPY212,084,500 (equivalent to approximately HK\$14,419,625) (the "**Deed of Assignment of Third Party's Loans**")

## **Loan Agreement**

Upon signing of the Agreement, the Purchaser as lender, the Target Company as borrower, the Vendor, Mr. Hui and Mr. Zhang as the Target Company's guarantors entered into a loan agreement pursuant to which the Purchaser shall provide an interest-free loan in an amount of JPY51,750,000 and remitting the loan to the bank accounts designated by TopLine Kabushiki Kaisha and Kabushiki Kaisha Toei Corporation, which are Independent Third Parties, and to procure the full release and discharge of the Mortgages prior to Completion (the "**Loan Agreement**").

## **Share Pledge**

Upon signing of the Agreement, a share pledge agreement was executed by the Vendor in favour of the Purchaser, pursuant to which the Vendor shall pledge his remaining 176 shares in the Target Company (representing 22% of the issued share capital of the Target Company) to secure, among other things, the obligations of the Vendor and the Vendor's Guarantors under the Agreement, under the Deed of Assignment of Shareholder's Loan and the Deed of Assignment of Third Party's Loan and under the Loan Agreement and the obligations of the Target Company under the Loan Agreement (the "**Share Pledge**").



## Retrospective Effect

The Agreement, the Loan Agreement and the Share Pledge shall take retrospective effect from 9 March 2017.

## LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## INFORMATION ON THE GROUP

The Group is principally engaged in sale of air tickets and other travel related services, trading and retail of jewellery products, provision of financial services and other investment holding business.

## INFORMATION ON THE TARGET COMPANY

The Target Company is a company established by the Vendor under the laws of Japan with limited liability on 14 July 2014. The Target Company is principally engaged in hotel ownership and management in Japan. As at the date of this announcement, the Properties (including the Hotel) are the major assets of the Target Company.

The Hotel is 9-storey (including 2-storey basement) hot springs (*onsen*) hotel with a total gross floor area of approximately 5,000 sq. m and has about 60 guest rooms and car parking facility. It is situated at Jozankei-onsen, Minami-ku, Sapporo, Hokkaido, Japan, which is in a tourist destination and is accessible through railroad network and road systems of Japan.

Set out below is a summary of key financial information of the Target Company extracted from its unaudited financial statements for the two years ended 30 June 2016 and 30 June 2015 and for the six months ended 31 December 2016:

	<b>For the six months ended 31 December 2016 (unaudited) JPY (equivalent to approximately HK\$)</b>	<b>For the year ended 30 June 2016 (unaudited) JPY (equivalent to approximately HK\$)</b>	<b>For the year ended 30 June 2015 (unaudited) JPY (equivalent to approximately HK\$)</b>
Net loss before taxation and extraordinary items	2,509,773	6,560,306	5,584,688
Net loss after taxation and extraordinary items	2,509,773	6,569,903	5,591,114

The unaudited total asset value and net liabilities value of the Target Company as at 31 December 2016 were approximately JPY171,230,457 (equivalent to approximately HK\$11,641,959) and JPY207,778,667 (equivalent to approximately HK\$14,126,872) respectively.

## **INFORMATION ON THE VENDOR AND THE VENDOR’S GUARANTORS**

As far as the Company is aware after making reasonable enquiries, the Vendor and the Vendor’s Guarantors are merchants who have extensive experience in operation and management of hotels.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

In recent years, Japan has become one of the most popular overseas destinations for mainland Chinese tourists. The Board anticipates that more tourists and business travellers will be brought into Hokkaido, which in turn will drive the demand for hotel accommodations in the region. In view of this, the Group has been exploring for the opportunity for acquisition of property for hotel operation purpose locating in Sapporo to meet the business demand of the Group at controlled costs. After the Completion, the Board intends that the Hotel will provide accommodation for customers referred by China Comfort Travel Group Company Limited (中國康輝旅行社集團有限公司) (an associate of the Group) or its associated companies, at the same costs offered to other customers of the Hotel.

In view of the intended use of the Hotel, the Board considers that the Acquisition will not only bring synergy effects to the existing package tour and travel business of the Group, but will also provide an additional source of income for the Group through the hotel operations, which is in line with the Group’s strategy to expand its travel business and maximise returns to shareholders of the Company.

For identifying appropriate target properties, our management considered various factors including, among others, whether it has hot springs (*onsen*), location (such as district and street), design of the building as well as hotel management. Our management explored and conducted site visits to the Hotel before entering into the Acquisition.

In view of the above, the Directors consider that the Agreement is on normal commercial terms and the terms of the Acquisition (including the terms of the Shares Consideration) are fair and reasonable and that the entering into the Agreement is in the interests of the Company and its shareholders as a whole.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the proposed acquisition by the Purchaser of the Sale Shares pursuant to the Agreement
“Agreement”	the sale and purchase agreement entered into on 10 March 2017 among the Vendor, the Purchaser and the Vendor’s Guarantors in relation to the Acquisition
“Articles of Incorporation”	the articles of incorporation of the Target Company as amended from time to time



“Board”	the board of Directors for the time being of the Company
“Business”	the operation of Hotel business carried on by the Target Company
“Business Day(s)”	a day (other than Saturday, Sunday, public holidays and days on which a tropical cyclone warning No.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong and Japan at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong and Japan for general banking business
“Completion”	the sale and purchase of the Sale Shares in accordance with the Agreement
“Completion Date”	the fifth Business Day after all the Condition Precedent have been fulfilled or waived pursuant to the Agreement (or such other date as the Vendor and the Purchaser may agree in writing prior to Completion)
“Condition Precedent”	Conditions precedent to the Completion
“Company”	Orient Victory China Holdings Limited (stock code: 265), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Directors”	directors of the Company
“Earnest Money”	an aggregate of HK\$1,000,000 paid by the Purchaser as earnest money pursuant to the Exclusivity Agreement
“Escrow Account”	a bank account for holding the Retention Money which is operated and maintained by the Escrow Agent
“Escrow Agent”	the escrow agent to be appointed by the parties hereto jointly for the purpose of operating and maintaining the Escrow Account
“Exclusivity Agreement”	the confidentiality and exclusivity agreement entered into among the parties to the Agreement on 31 August 2016 (as amended from time to time)
“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 People’s Republic of China

“Hotel”	Hotel Sankeien, the hotel located at Jozankei-onsen, Minami-ku, Sapporo, Hokkaido, Japan owned and operated by the Target Company
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected persons (as defined under the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2017 or such later date as the parties to the Agreement may agree in writing
“JPY”	Japanese Yen, the lawful currency of Japan
“Mortgages”	all property mortgages of the Target Company in respect of all loans and borrowings owing to TopLine Kabushiki Kaisha and Kabushiki Kaisha Toei Corporation
“Mr. Hui”	Mr. Hui Wan Sang
“Mr. Zhang”	Mr. Zhang Jie
“Properties”	the properties of the Target Company which include the Hotel, the relevant land and buildings
“Purchaser”	Yield Quality Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale Shares”	a total of 624 shares of the Target Company, which represent 78% of the issued share capital of the Target Company as at the date of this announcement, to be bought and sold pursuant to the Agreement
“Shareholder’s Loan”	the total loans of JPY29,500,000 (equivalent to approximately HK\$2,005,705) advanced by the Vendor as shareholder’s loan to the Target Company
“Shares Consideration”	the consideration for the sale and purchase of the Sale Shares, being JPY103,740,000 (equivalent to approximately HK\$7,053,283)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq.m.”	square meters

“Target Company”	Nibou Company Limited, a company incorporated under the laws of Japan with limited liability, the entire issued share capital of which is held by the Vendor as at the date of this announcement
“Vendor”	Ippa Kitazono (北園一波)
“Vendor’s Guarantors”	Mr. Hui Wan Sang and Mr. Zhang Jie
“%”	percentage

The figures in JPY are converted into HK\$ at the rate of JPY1:HK\$0.06799 throughout this announcement for indicative purpose only.

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

Hong Kong, 10 March 2017

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