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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Orient Victory Travel Group Company Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE FRAMEWORK AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A notice convening an extraordinary general meeting of the Company to be held at the meeting room of 25/F, building number 1 of Zijingyuan, 158 Pinganbeidajie, Changan District, Shijiazhuang City, Hebei Province, the PRC* (中國河北省石家莊市長安區平安北大街158號紫晶苑1號樓25層會議室) on Wednesday, 16 March 2022 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the extraordinary general meeting is enclosed with this circular. Whether or not you plan to attend the EGM or any adjournment thereof, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Such form of proxy is also published on The Stock Exchange of Hong Kong Limited's HKExnews website at www.hkexnews.hk and the Company's website at www.orientvictory.com.hk. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy will be deemed to have been revoked.

28 February 2022

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PRECAUTIONARY MEASURES FOR THE EGM

In view of the current development of the novel coronavirus disease (COVID-19) pandemic, the Company will implement the following measures at its EGM:

- (i) All participants (including Shareholders or their proxy) in the EGM are required to wear appropriate face masks at all times during their attendance;
- (ii) Compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue. Any person with abnormal body temperature will not be admitted to the venue; and
- (iii) No refreshments will be served, and there will be no corporate gifts. Seating will be arranged to ensure adequate physical distancing between attendees in order to reduce person-to-person contact.

To the extent permitted under the laws of the PRC, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

Although Shareholders are welcome to attend in person to vote at the EGM, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using forms of proxy with voting instructions inserted, Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolution at the EGM instead of attending in person. The form of proxy will be dispatched to the Shareholders and can be downloaded from the websites of the Stock Exchange and the Company.

DEFINITIONS

In this circular, unless the context otherwise requires, the following words and expressions have the following meanings:

“Announcement”	the announcement of the Company dated 1 December 2021 in relation to the Continuing Connected Transactions
“Board”	the board of Directors
“Business”	real estate development in the PRC
“Business Day”	a day (other than a Saturday, a Sunday or a day on which a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal is hosted in Hong Kong) on which banks are generally open for business in Hong Kong
“Commercial Properties and Merchants Management Services”	the commercial properties and merchants management services contemplated under the Framework Agreement
“Company”	Orient Victory Travel Group Company Limited (東勝旅遊集團有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Continuing Connected Transactions”	the transactions contemplated under the Framework Agreement, i.e. the Event Planning Services, the Property Management Services and the Commercial Properties and Merchants Management Services
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the Independent Shareholders to consider and, if thought fit, approve the Framework Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps)
“Event Planning Framework Agreement”	the event planning framework agreement dated 28 November 2019 entered into between OVPD and the Company in relation to the provision of event planning and front-to-back production services in connection with the Business
“Event Planning Services”	the event planning services contemplated under the Framework Agreement and the Event Planning Framework Agreement, where appropriate

DEFINITIONS

“Framework Agreement”	the framework agreement dated 1 December 2021 entered into between OVPD and the Company in relation to the Event Planning Services, the Property Management Services and the Commercial Properties and Merchants Management Services
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	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 Framework Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps)
“Independent Financial Adviser”	Pelican Financial Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the terms of the Continuing Connected Transactions (including the Proposed Annual Caps)
“Independent Shareholders”	the Shareholders who are not prohibited under the Listing Rules from voting on a resolution to approve the relevant transaction at a general meeting of the Company
“independent third party(ies)”	a third party independent of the Company and the connected persons of the Company
“Latest Practicable Date”	23 February 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Shi”	Mr. Shi Baodong (石保棟先生), the chairman of the Board, the chief executive officer of the Company and an executive Director, and a controlling shareholder of the Company
“OVPD”	東勝房地產開發集團有限公司 (Orient Victory Property Development Group Co., Ltd.*), a company established in the PRC with limited liability and was wholly-owned by Mr. Shi as at the Latest Practicable Date

DEFINITIONS

“OVPD Group”	OVPD and its subsidiaries
“OVRE”	Orient Victory Real Estate Group Holdings Limited (東勝置業集團控股有限公司), a company incorporated in the British Virgin Islands with limited liability and was wholly-owned by Mr. Shi as at the Latest Practicable Date
“PRC”	the People’s Republic of China, which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property Management Agreements”	the property management agreements in relation to (i) the provision of property management services for sales offices, display units, leisure areas and other related areas; (ii) the provision of property management services for commercial and residential units and car parking spaces; and (iii) pre-delivery property management and related services, details of which are set out in the Company’s announcement dated 8 February 2021
“Property Management Services”	the property management services contemplated under the Framework Agreement and the Property Management Agreements, where appropriate
“Proposed Annual Caps”	the proposed annual monetary cap(s) for the Continuing Connected Transactions for the period from 1 January 2022 to 31 December 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.005 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Shijiazhuang Dongsheng”	石家莊市東勝物業服務有限公司 (Shijiazhuang Dongsheng Property Management Services Company Limited*), a company established in the PRC with limited liability and has been a wholly-owned subsidiary of the Company since 18 May 2021

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. SHI Baodong

(Chairman and Executive Director)

Mr. ZHAO Huining

Mr. MO Yueming

Non-executive Director:

Ms. SONG Sining

Independent non-executive Directors:

Mr. DONG Xiaojie

Mr. HE Qi

Mr. SUEI Feng-jih

Registered office:

P.O. Box 31119

Grand Pavilion

Hibiscus Way

802 West Bay Road

Grand Cayman, KY1-1205

Cayman Islands

*Principal place of business
in Hong Kong:*

1201B, 12/F.

Tower 1 Admiralty Centre

18 Harcourt Road

Admiralty, Hong Kong

28 February 2022

To the Shareholders and for information of the holders of perpetual convertible securities

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE FRAMEWORK AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement dated 1 December 2021 in relation to the Framework Agreement.

On 1 December 2021 (after trading hours), the Company entered into the Framework Agreement with OVPD. Pursuant to the Framework Agreement, OVPD agrees to appoint the Group for the provision of the Event Planning Services, the Property Management Services and the Commercial Properties and Merchants Management Services for a term commencing on the date of the Framework Agreement and ending on 31 December 2023.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, further information on the Framework Agreement and the transactions contemplated thereunder, i.e. the Continuing Connected Transactions and other information as required under the Listing Rules. This circular also contains (i) letter from the Board; (ii) letter of recommendation from the Independent Board Committee; (iii) letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM.

THE FRAMEWORK AGREEMENT

On 1 December 2021 (after trading hours), the Company entered into the Framework Agreement with OVPD. The principal terms of the Framework Agreement are summarised below.

Date

1 December 2021 (after trading hours)

Parties

- (i) The Company; and
- (ii) OVPD.

Term

Commencing on the date of the Framework Agreement and ending on 31 December 2023.

Subject Matter

(i) *Event Planning Services*

Reference is made to the circular of the Company dated 10 January 2020 in relation to continuing connected transactions under the Event Planning Framework Agreement. On 28 November 2019, the Company and OVPD entered into the Event Planning Framework Agreement for the Event Planning Services for the period between 28 November 2019 and 30 September 2022. For the better management of the business cooperation between the Group and the OVPD Group and in view that the OVPD Group would bring more event planning projects to the Group, the Company and OVPD agreed to terminate the Event Planning Framework Agreement and entered into the Framework Agreement. Under the Framework Agreement, in relation to the Event Planning Services, the Group shall be responsible for the following matters including but not limited to:

- (a) pre-event planning;
- (b) decoration of venue for the event;
- (c) design and production of materials to be used in the event;
- (d) the recruitment and management of performers for the event;

LETTER FROM THE BOARD

- (e) provision of stage lighting and equipment for the event;
- (f) the recruitment and management of on-site crews for the event;
- (g) obtaining relevant approval required for holding the event from the relevant authorities; and
- (h) assisting the OVPD Group to retreat the equipment from the event venue.

(ii) *Property Management Services*

Reference is made to the announcement of the Company dated 8 February 2021 in relation to, among the others, continuing connected transactions pursuant to Rule 14A.60 of the Listing Rules. Shijiazhuang Dongsheng has become a wholly-owned subsidiary of the Company since 18 May 2021, and including its subsidiaries, is in the course of providing the Property Management Services to the OVPD Group under the Property Management Agreements. Pursuant to Rule 14A.60 of the Listing Rules, if the agreement for continuing transactions (which subsequently become continuing connected transactions) is renewed or its terms are varied, the listed issuer must comply with all connected transaction requirements.

As some of the Property Management Agreements have expired and in view that the OVPD Group would bring more property management projects to the Group, the Company and OVPD (as the case maybe) entered into the Framework Agreement to govern and manage the transactions between the Group and the OVPD Group in respect of the Property Management Services. Under the Framework Agreement, in relation to the Property Management Services, the Group shall be responsible for the following matters including but not limited to:

- (a) providing property management services including maintenance, concierge, cleaning, safety, administration and management services for the sales offices, display units, leisure areas and other related areas;
- (b) providing property management services including assistance on keeping public order and safety, maintenance and management of common areas, operation, maintenance and management of the facilities and equipment, cleaning, gardening, repair, owners' home maintenance service and arranging for decoration and renovation services for commercial and residential units and car parking spaces; and
- (c) providing pre-delivery services including inspection and cleaning services and consultancy services for residential units prior to the delivery of residential units, and property management office preparation services.

LETTER FROM THE BOARD

(iii) Commercial Properties and Merchants Management Services

Under the Framework Agreement, in relation to the Commercial Properties and Merchants Management Services, the Group shall be responsible for the following matters, including but not limited to:

- (a) providing guidance and assistance to merchants;
- (b) advertising and promoting vacancies;
- (c) preparing yearly operation proposal;
- (d) envisaging work plan and preparing budget plan;
- (e) preparing regular management reports;
- (f) organising property management team;
- (g) carrying out property management services including maintenance, concierge, cleaning, safety, administration and management for the facilities, car parking spaces, etc. within the commercial properties;
- (h) supervising repair and maintenance works of the facilities within the commercial properties; and
- (i) providing assistance to the OVPD Group for the recovery of rent, management fees, etc. from merchants and tenants.

In respect of the Event Planning Services, the Property Management Services and the Commercial Properties and Merchants Management Services, the Group shall enter into specific agreement in respect of each individual transaction contemplated under the Framework Agreement, which shall be performed separately under the relevant specific agreement in accordance with the principal terms under the Framework Agreement.

Service Fees

Event Planning Services

The fee to be charged by the Group for the provision of the Event Planning Services shall be determined after arm's length negotiation based on the scope and scale of services, work complexity, location, expected labour force to be involved to complete the services, work schedule, and the prevailing market rates for comparable planning services available from other marketing or event planning companies in the PRC, and in any event the fee offered by the OVPD Group to the Group shall be on normal commercial term or better than that offered to (a) the Group by other independent marketing or event planning companies for comparable services; and (b) other independent third parties by the OVPD Group for comparable services. To determine whether the price and terms offered to the Group by the OVPD Group are fair and reasonable and comparable to those offered by independent third parties, the Board would obtain, or request the OVPD Group to obtain, quotations from at least two other independent marketing or event planning companies in the PRC for comparable services.

LETTER FROM THE BOARD

If the total service fee is agreed at a fixed sum, 30% of the total service fee shall be paid by the OVPD Group to the Group within seven days after the signing of the specific agreement and the balance shall be paid within seven days after the issuance of a completion confirmation and an inspection report by the OVPD Group in respect of the relevant event. If the total service fee is variable and is required to be determined after taking into account the unit price per headcount and actual time spent, the total service fee shall be paid within 30 days after the service.

Property Management Services

The fees payable by the OVPD Group in respect of the Property Management Services are mainly divided into three categories, namely (i) management services for sales offices, display units, leisure areas and other related areas; (ii) management services for commercial and residential units and car parking spaces; and (iii) pre-delivery property management and related services.

(i) Management services for sales offices, display units, leisure areas and other related areas

The OVPD Group shall pay to the Group for each relevant project a monthly management fee equivalent to a sum determined based on an arm's length basis by reference to (i) the labour costs and other necessary expenses incurred or expected to be incurred in providing the relevant services; and (ii) the market price of services of comparable nature and scale.

(ii) Management services for commercial and residential units and car parking spaces

The OVPD Group shall pay to the Group a monthly management fee equivalent to a sum calculated based on the total gross floor area of the commercial and residential units and the number of car parking spaces (which are unsold or not available for sale) at a unit price determined by reference to (i) the nature of the real estate projects and geographical locations; (ii) labour costs and other necessary expenses incurred or expected to be incurred in providing the relevant services; (iii) the market price of services of comparable nature and scale; and (iv) the indicative prices set by local government authorities (for residential units only).

(iii) Pre-delivery property management and related services

The OVPD Group shall pay to the Group a management fee equivalent to a sum calculated based on the total gross floor area of residential units to be delivered at a unit price determined by reference to (i) the labour costs and other necessary expenses incurred or expected to be incurred in providing the relevant services; and (ii) the market price of services of comparable nature and scale. Such fee shall be paid before commencing the services.

Commercial Properties and Merchants Management Services

The OVPD Group shall pay to the Group a fixed monthly management fee of RMB3,000,000 (equivalent to HK\$3,600,000), subject to review on a yearly basis, which is determined by reference to (i) the total gross floor area and geographical locations of four commercial properties (all located in Shijiazhuang, Hebei Province, the PRC with a total gross floor area of 106,504 square meters); (ii) labour costs and other necessary expenses incurred or expected to be incurred in providing the relevant services; and (iii) the market price of services of comparable nature and scale.

LETTER FROM THE BOARD

Conditions Precedent

The Framework Agreement is conditional upon:

- (a) the Framework Agreement and the Continuing Connected Transactions having been approved by the respective board of directors of the Company and OVPD;
- (b) all guarantees, representations and warranties given by the Company and OVPD under the Framework Agreement remaining valid, true and correct in all material respects;
- (c) the Independent Shareholders having approved the Framework Agreement and the transactions contemplated thereunder by way of poll at the EGM to be convened in compliance with the Listing Rules; and
- (d) (if necessary) all authorities' authorisations, approvals, consents, waivers and permits which are necessary or relevant to give effect to the Framework Agreement and the Continuing Connected Transactions having been granted, received or obtained and not revoked.

Save for condition precedent (b) which can be waived by the Company or OVPD (as the case maybe), none of the conditions precedent can be waived by the Company or OVPD.

Pricing Policy

Pursuant to the Framework Agreement, the services to be provided by the Group to the OVPD Group under the Framework Agreement shall be conducted on normal commercial terms or better, in particular:

- (a) the terms of the Continuing Connected Transactions must be fair and reasonable and in the interest of the Shareholders as a whole;
- (b) the terms of the Continuing Connected Transactions shall be no less favourable to the Group than terms available from independent third parties;
- (c) the Continuing Connected Transactions shall be conducted after arm's length negotiations; and
- (d) the Continuing Connected Transactions shall not exceed the Proposed Annual Caps without re-complying with the requirements of the Listing Rules with regard to continuing connected transactions.

The Group shall follow such internal control measures as demonstrated under the section headed "INTERNAL CONTROL MEASURES" to ensure that the service fees to be received by the Group are no less favourable to the Group than those offered to, or quoted by, independent third parties.

LETTER FROM THE BOARD

In relation to the service fee for the Event Planning Services, the service fees charged by the Group shall be determined after arm's length negotiation taking into account the estimated operational costs and the estimated work to be undertaken by the Group. In any event, the service fees charged by the Group shall not be less favourable than the fees charged by other independent service providers in the PRC and the fees offered by the OVPD Group to independent third parties of comparable transactions.

In relation to the Property Management Services, the management fees and the service fees charged by the Group shall be determined after arm's length negotiation and shall not be less favourable than the fees charged by other independent service providers in the PRC and the fees offered by the OVPD Group to independent third parties of comparable transactions. When determining the fees, where applicable, the Company shall take into account (i) the management fee for the comparable projects; (ii) the actual size of the projects; (iii) the scope of services to be provided by the Group; (iv) the actual number of units in the projects; (v) the facilities provided within the projects; and (vi) the estimated operational costs. In any event, the state or local government guidance price on property management services fees issued by the state or local real estate administration department and/or the state or local pricing authorities, which is currently available for residential units only, shall be applied.

In relation to the Commercial Properties and Merchants Management Services, when performing annual review of the management fee for such services, the Company shall take into account (i) the estimated operational costs; and (ii) the estimated work to be undertaken by the Group until the next annual review. In any event, the service fees charged by the Group shall not be less favourable than the fees charged by other independent service providers in the PRC and the fees offered by the OVPD Group to independent third parties of comparable transactions.

HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS

The following sets forth the historical transaction amounts and the Proposed Annual Caps of the Event Planning Services, the Property Management Services and the Commercial Properties and Merchants Management Services:

	Historical amount for the year ended 31 December 2019	Historical amount for the year ended 31 December 2020	Historical amount for the year ended 31 December 2021 (unaudited)	Proposed Annual Cap for the year ending 31 December 2022	Proposed Annual Cap for the year ending 31 December 2023
	<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>
Event Planning Services (<i>Note</i>)	8.9 (equivalent to HK\$10.7 million) (from 28 November 2019)	31.7 (equivalent to HK\$38.0 million)	23.8 (equivalent to HK\$28.6 million)	33.7 (equivalent to HK\$40.4 million)	25.1 (equivalent to HK\$30.1 million)

LETTER FROM THE BOARD

	Historical amount for the year ended 31 December 2019	Historical amount for the year ended 31 December 2020	Historical amount for the year ended 31 December 2021 (unaudited)	Proposed Annual Cap for the year ending 31 December 2022	Proposed Annual Cap for the year ending 31 December 2023
	<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>
Property Management Services	Not applicable	Not applicable	8.4 (equivalent to HK\$10.1 million)	16.5 (equivalent to HK\$19.8 million)	23.8 (equivalent to HK\$28.6 million)
Commercial Properties and Merchants Management Services	Not applicable	Not applicable	3.0 (equivalent to HK\$3.6 million)	36.0 (equivalent to HK\$43.2 million)	36.0 (equivalent to HK\$43.2 million)
Total	8.9 (equivalent to HK\$10.7 million)	31.7 (equivalent to HK\$38.0 million)	35.2 (equivalent to HK\$42.3 million)	86.2 (equivalent to HK\$103.4 million)	84.9 (equivalent to HK\$101.9 million)

Notes:

The existing annual caps for the Event Planning Services under the Event Planning Framework Agreement approved by the Independent Shareholders in the extraordinary general meeting of the Company held on 31 January 2020 are as follow:

RMB9.48 million (equivalent to approximately HK\$10.56 million based on the then exchange rate applied by the Company) for the period from 28 November 2019 to 31 December 2019;

RMB35.82 million (equivalent to approximately HK\$39.89 million based on the then exchange rate applied by the Company) for the year ended 31 December 2020;

RMB26.05 million (equivalent to approximately HK\$29.01 million based on the then exchange rate applied by the Company) for the year ended 31 December 2021; and

RMB17.11 million (equivalent to approximately HK\$19.06 million based on the then exchange rate applied by the Company) for the period from 1 January 2022 to 30 September 2022.

The above existing annual caps for the period from 1 January 2022 to 30 September 2022 for the Event Planning Services will be replaced by, if approved in the EGM, the Proposed Annual Caps for the Event Planning Services.

LETTER FROM THE BOARD

Basis of the Proposed Annual Caps

Event Planning Services

The Proposed Annual Caps for the Event Planning Services were determined after taking into account (i) the updated development plan of real estate projects provided by the OVPD Group; (ii) the updated event planning and marketing budget plan for each of the real estate projects provided by the OVPD Group; (iii) the estimated work to be undertaken by the Group in the real estate projects; and (iv) a buffer calculated based on the year-to-year growth of 6%.

Property Management Services

The Proposed Annual Caps for the Property Management Services were determined after taking into account:

- (a) in relation to management services for sales offices, display units, leisure areas and other related areas, (i) the size of eight projects under management and the agreed management fees pursuant to the relevant Property Management Agreements; (ii) the estimated size of four new projects to be managed by the Group according to the development plan of real estate projects for the period from December 2021 to 2023 provided by the OVPD Group and the estimated management fees for such management services; and (iii) a buffer calculated based on the year-to-year growth of 6%.
- (b) in relation to management services for commercial and residential units and car parking spaces, (i) the total gross floor area of 17,184 square meters of commercial and residential units and 1,116 car parking spaces under management and the agreed management fees pursuant to the relevant Property Management Agreements; (ii) the estimated size of new commercial and residential units with a total gross floor area of approximately 203,000 square meters according to the development plan of real estate projects provided by the OVPD Group and the estimated management fees for such management services; and (iii) a buffer calculated based on the year-to-year growth of 6%.
- (c) in relation to the pre-delivery property management and related services, (i) the total gross floor area of approximately 451,183 square meters of residential units to be delivered and the agreed management fees pursuant to the relevant Property Management Agreements; (ii) the estimated size of new residential units with a total gross floor area of approximately 567,000 square meters to be managed by the Group according to the development plan of real estate projects for the period from December 2021 to 2023 provided by the OVPD Group and the estimated management fees for such management services; and (iii) a buffer calculated based on the year-to-year growth of 6%.

LETTER FROM THE BOARD

Commercial Properties and Merchants Management Services

The Proposed Annual Caps for the Commercial Properties and Merchants Management Services were determined based on (i) the total gross floor area of the four commercial properties of 106,504 square meters; (ii) the estimated work to be undertaken by the Group for the Commercial Properties and Merchants Management Services; and (iii) the agreed management fee in relation to the Commercial Properties and Merchants Management Services under the Framework Agreement.

INFORMATION OF THE PARTIES

The Company is an investment holding company and its subsidiaries are principally engaged in the property management and leasing services businesses for residential and commercial properties, the diversified tourism products and services businesses and the integrated development businesses.

OVPD is a company incorporated in the PRC, is principally engaged in the Business, and is wholly-owned by Mr. Shi, the chairman of the Board, the chief executive officer of the Company and an executive Director. Mr. Shi is also a controlling shareholder of the Company holding, including through OVRE, 7,974,992,025 Shares (representing approximately 61.72% of the entire issued share capital of the Company) as at the Latest Practicable Date.

REASONS FOR AND BENEFIT OF ENTERING INTO THE FRAMEWORK AGREEMENT

In the light that the full recovery for global tourism industry is still highly uncertain under the novel coronavirus disease (COVID-19) pandemic (the “**Pandemic**”) and the fact that the Pandemic still exists, the Board considers that it is necessary for the Group to take appropriate steps to resist the impact of the Pandemic with a view to mitigating the loss of the Shareholders. As such, it is inevitable for the Group to enhance its income sources in order to improve the financial performance of the Group and achieve better return for the Shareholders during the current unfavourable environment. In fact, the Group has been exploring new income stream in the PRC since late July 2020.

On 18 May 2021[#], the Group completed the acquisition of Shijiazhuang Dongsheng and its subsidiaries, which are principally engaged in the provision of property management and leasing services for residential and commercial properties in Hebei Province, the PRC. By completing the acquisition, the Group successfully entered into the property management and leasing related businesses with additional income sources that are less affected by the Pandemic and with sound prospects.

On the other hand, the Group has continued to facilitate the development of other businesses in the integrated development segment that are less affected by the Pandemic, in particular, the Event Planning Services. Since 2019, the Group has been operating event planning and all-round event production services in respect of the real estate development in the PRC and has recruited a team of talents who were equipped with extensive experience in corporate image building, brand management, marketing, event planning and public relations and communication. In respect of these services, it is the Group’s plan to bolster its business presence in the PRC market in the near future as a way to strengthen its financial performance while the travel-related business is adversely affected by the Pandemic.

[#] It was mistakenly stated by the Company in its announcement dated 1 December 2021 that completion of the acquisition took place on 8 February 2021.

LETTER FROM THE BOARD

The Group has formed a team of 11 experienced staff to handle the Event Planning Services and a team of 8 experienced staff to manage the property management and leasing services businesses for residential and commercial properties (including the Property Management Services and the Commercial Properties and Merchants Management Services). Besides, certain Directors, including Mr. Shi, possess extensive experience in property development and management in the PRC and are leading and fully supporting the aforementioned businesses of the Group, and the Board considers that the Group is capable of operating the Event Planning Services, the Property Management Services and the Commercial Properties and Merchants Management Services on a larger scale. The Board believes the business opportunity provided under the Framework Agreement will improve the Group's financial performance. The Directors (excluding Mr. Shi, who had abstained from voting on the relevant resolution at the Board meeting and the members of the Independent Board Committee who will form their opinion after considering the advice from the Independent Financial Adviser in respect of the Framework Agreement) consider the terms of the Framework Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, OVPD is wholly-owned by Mr. Shi, the chairman of the Board, the chief executive officer of the Company and an executive Director. As OVPD is wholly-owned by Mr. Shi, OVPD is an associate of Mr. Shi and thus a connected person of the Company. Therefore, the Continuing Connected Transactions will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profits ratio) in respect of the maximum amount of the Proposed Annual Caps is more than 5% and exceed HK\$10 million, the Continuing Connected Transactions are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to consider the Framework Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps), and to advise the Independent Shareholders as to whether the terms of the Framework Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps) are on normal commercial terms or better and fair and reasonable, and in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Framework Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps).

LETTER FROM THE BOARD

INTERNAL CONTROL MEASURES

To ensure that the transactions contemplated under the Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole, the Company has adopted the followings:

- (a) prior to entering into any specific agreement, the business department of the Company (or its subsidiaries) shall be responsible for (i) liaising with and obtaining quotations from at least two independent marketing or event planning companies in the PRC for providing such services for the relevant events by way of telephone or email (for the Event Planning Services); and (ii) conducting research on the range of management fee for the similar projects in the vicinity or, where there is no such similar projects, other districts (for the Property Management Services), in order to ensure that the terms of the specific agreements are fair and reasonable and on normal commercial terms or better than those available from independent third parties;
- (b) after entering into any specific agreement, the senior management of the Company (or its subsidiaries) shall be responsible for monitoring the specific agreements. The marketing manager or the deputy marketing manager (for the Event Planning Services) or the property management manager (for the Property Management Services and the Commercial Properties and Merchants Management Services) of the Company (or its subsidiaries), as the case maybe, will review the specific agreement every three months to ensure the transactions have been carried out in compliance with the terms of such agreement and if there is any non-compliance or potential non-compliance, the responsible personnel will report the matter to the senior management of the Company for consideration who will then find ways to resolve the matter. Further, the marketing manager (for the Event Planning Services) or the deputy marketing manager (for the Event Planning Services) or the property management manager (for the Property Management Services and the Commercial Properties and Merchants Management Services) of the Company (or its subsidiaries), as the case may be, will report to the senior management of the Company every six months on the financial performance of individual events;
- (c) the finance department of the Group is responsible for monitoring the service fees receivable by the Group to ensure that they are conducted in accordance with the terms of the Framework Agreement and the Proposed Annual Caps are not exceeded. In addition, the finance department will also conduct overall review on a monthly basis. Where the finance department is aware of any potential non-compliance with the pricing policies or that the Proposed Annual Caps will be exceeded, the finance department will escalate the matter to the senior management of the Company who will co-ordinate at the Group level to take remedial actions and ensure the basis of the Proposed Annual Caps are followed and are not exceeded;

LETTER FROM THE BOARD

- (d) the senior management of the Company will review the draft specific agreements and will escalate the matter to the independent non-executive Directors if the senior management is of the opinion that there is any non-compliance issue. The independent non-executive Directors would further review the draft specific agreements and take appropriate actions to ensure that such transactions are conducted within the Framework Agreement, on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole. After approving the respective specific agreements by the executive Director or director of subsidiaries of the Company after taking into account the steps taken by the independent non-executive Directors (where necessary), the marketing manager (for the Event Planning Services) or the deputy marketing manager (for the Event Planning Services) or the property management manager (for the Property Management Services and the Commercial Properties and Merchants Management Services) of the Company (or its subsidiaries), as the case maybe, will be responsible for monitoring the specific agreements, reviewing and approving any decision required for the operation of the events, which is expected to take around one to two weeks; and
- (e) in addition to the review by the independent non-executive Directors every year, the auditors of the Company will conduct annual review on the transactions contemplated under the Framework Agreement and the specific agreements and provide their view thereon to the Board.

THE EGM

Set out on pages EGM-1 to EGM-2 of this circular is a notice convening the EGM to be held at the meeting room of 25/F, building number 1 of Zijingyuan, 158 Pinganbeidajie, Changan District, Shijiazhuang City, Hebei Province, the PRC* (中國河北省石家莊市長安區平安北大街158號紫晶苑1號樓25層會議室) on Wednesday, 16 March 2022 at 11:00 a.m. at which ordinary resolution(s) will be proposed to approve the Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. Voting on the proposed resolution at the EGM will be taken by poll.

Any shareholder with a material interest in the Framework Agreement, and its/his associates will abstain from voting on the resolution approving the Framework Agreement, the transaction contemplated thereunder and the Proposed Annual Caps at the EGM. As at the Latest Practicable Date, OVPD is wholly-owned by Mr. Shi, the chairman, the chief executive officer and an executive Director. Mr. Shi is also a controlling shareholder of the Company holding, including through OVRE, 7,974,992,025 Shares (representing approximately 61.72% of the entire issued share capital of the

LETTER FROM THE BOARD

Company) has a material interest in the Framework Agreement, OVRE and Mr. Shi will abstain from voting in respect of the resolution approving the Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps at the EGM.

To the best knowledge, information and belief of the Directors, no Shareholder (other than OVRE and Mr. Shi) is required to abstain from voting on the ordinary resolution approving the Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps at the EGM.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders' rights of attending and voting at the EGM, the register of members of the Company will be closed from Monday, 14 March 2022 to Wednesday, 16 March 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the EGM, all share transfers accompanied by the relevant share certificates must be lodged with Company's share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Friday, 11 March 2022.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps is in the best interests of the Group and the Shareholders as a whole. Accordingly, the Board would recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM.

Should there be any inconsistencies between the English text and the Chinese text of this circular, the English text of this circular will prevail over the Chinese text.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

28 February 2022

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS UNDER THE FRAMEWORK AGREEMENT

We refer to the circular of the Company dated 28 February 2022 (the “**Circular**”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Pelican Financial Limited has been appointed as the Independent Financial Adviser to advise us in this respect.

We wish to draw your attention to the “Letter from Independent Financial Adviser” as set out on pages 20 to 46 of the Circular. We have considered the terms and conditions of the transactions, the advice of the Independent Financial Adviser and the other factors contained in the “Letter from the Board” as set out on pages 5 to 18 of the Circular.

In our opinion, so far as the Independent Shareholders are concerned, the terms of the transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. Besides, given that the Company had been undertaking the event planning and property management work prior to the entering into of the Framework Agreement and such service fees were recognised as revenue of the Group, the transactions contemplated under the Framework Agreement are conducted in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed to approve the Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps.

Yours faithfully

For and on behalf of

Independent Board Committee

Dong Xiaojie

He Qi

Suei Feng-jih

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



PELICAN FINANCIAL LIMITED

21/F, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong

28 February 2022

*To the Independent Board Committee and the Independent Shareholders of
Orient Victory Travel Group Company Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Framework Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 28 February 2022 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As stated in the announcement of the Company dated 1 December 2021 (the “**Announcement**”), on 1 December 2021 (after trading hours), the Company entered into the Framework Agreement with OVPD. Pursuant to the Framework Agreement, OVPD agrees to appoint the Group for the provision of the Event Planning Services, the Property Management Services and the Commercial Properties and Merchants Management Services for a term commencing on the date of the Framework Agreement and ending on 31 December 2023.

As at the Latest Practicable Date, OVPD was wholly-owned by Mr. Shi, the chairman of the Board, the chief executive officer of the Company and an executive Director. As OVPD is wholly-owned by Mr. Shi, OVPD is an associate of Mr. Shi and thus a connected person of the Company. Therefore, the Continuing Connected Transactions will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the applicable percentage ratios (other than the profits ratio) in respect of the maximum amount of the Proposed Annual Caps is more than 5% and exceed HK\$10 million, the Continuing Connected Transactions are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the terms of the Framework Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps).

Meanwhile, given Mr. Shi's interests in the Framework Agreement, Mr. Shi and OVRE (an associate of Mr. Shi) are required to abstain from voting on the resolution regarding the Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps to be proposed at the EGM.

The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors. Accordingly, the Independent Board Committee, comprising Mr. Dong Xiaojie, Mr. He Qi and Mr. Swei Feng-jih, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the terms of the Framework Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps). We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect, and such appointment has been approved by the Independent Board Committee.

We are not connected with the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates. We are not aware of any relationships or interests between us and the Group, OVPD or any of their respective substantial shareholders, directors or chief executives, or their respective associates that could reasonably be regarded as relevant to our independence. In the last two years, except for acting as the independent financial adviser to the Company in relation to its very substantial disposal and connected transactions as disclosed in the Company's circular dated 24 June 2020, there was no other engagement between the Company and us. Apart from normal professional fees payable to us in connection with this appointment of us as the Independent Financial Adviser, no arrangement exists whereby Pelican Financial Limited will receive any fees or benefits from the Company or the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the terms of the Framework Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps).

Our role is to provide you with our independent opinion and recommendation as to (i) whether the Framework Agreement and the Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better; (ii) whether the terms of the Framework Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution on the Framework Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps) at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions which include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the Framework Agreement, the Announcement, the annual report of the Company for the financial year ended 31 December 2020 (the “**2020 Annual Report**”), the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”) and the Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group, nor have we conducted any form of an in-depth investigation into the business and affairs or the prospects of the Group.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion regarding the terms of the Framework Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps), we have considered the following principal factors and reasons.

1. Information of the Company

The Company is an investment holding company, and its subsidiaries are principally engaged in (i) the diversified tourism products and services businesses which involve the sales of outbound air tickets and provision of outbound tourism-related services; (ii) the integrated development businesses which involve the development and operation of tourism and cultural attractions, the development of tourism-related accommodation facilities in the PRC, sales of products, properties for lease business and sale, and the provision of event planning and all-round event production services in respect of the real estate development in the PRC; and (iii) the property management businesses which involve the provision of property management and leasing services to residential and commercial properties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the financial information of the Group for the two financial years ended 31 December 2020 as extracted from the 2020 Annual Report, and for the six months ended 30 June 2020 and 30 June 2021 as extracted from the 2021 Interim Report.

Table 1: Summarised financial results of the Group

	For the financial year ended 31 December		For the six months ended 30 June	
	2020	2019	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited and restated)	(Unaudited)	(Unaudited and restated)
<i>Revenue by segments</i>				
(i) Diversified tourism products and services	91,783	395,828	4,736	77,910
(ii) Integrated development	116,503	80,171	32,592	34,738
(iii) Property management	–	–	10,412	–
Total revenue	208,286	475,999	47,740	112,648
Loss before taxation	57,682	7,617	2,701	19,611
Loss for the year/period from continuing operations	56,356	13,175	5,563	19,234
(Profit)/loss for the year/period from discontinued operation	(11,430)	10,807	–	12,774
Loss for the year/period	44,926	23,982	5,563	32,008

According to the 2020 Annual Report, for the year ended 31 December 2020, the Group recorded total revenue of approximately HK\$208.3 million for the year ended 31 December 2020 compared to approximately HK\$476.0 million for the year ended 31 December 2019, representing a decline of approximately 56.2%. Such reduction in revenue was mainly attributable to the decrease in revenue from diversified tourism products and services businesses by approximately 76.8% as compared to this segment revenue in the previous year, which was mainly due to the COVID-19 pandemic and the anti-pandemic measures imposed by the governments of various countries that had temporarily suspended global travel and tourism activities since late January 2020. Meanwhile, revenue from the Group's integrated development businesses increased by approximately 45.3% from approximately HK\$80.2 million to approximately HK\$116.5 million between the two years ended 31 December 2020, mainly contributed by the revenue generated from the sales of residential units in New Zealand.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the two years ended 31 December 2020, the loss for the year increased by approximately 87.1% from approximately HK\$24.0 million to approximately HK\$44.9 million. The increase was primarily attributable to the net effect of (i) the decrease in gross profit by approximately HK\$18.3 million as compared to last year; (ii) the impairment of goodwill attributable to the businesses of Beijing Jinlv Shidai Tourism Co., Limited[#] (北京金旅時代旅行社有限公司) and Hebei Tu Men Travel Development Limited[#] (河北土門旅遊開發有限公司) of approximately HK\$15.4 million in aggregate owing to the COVID-19 pandemic; (iii) the decrease in valuation gains on investment properties of approximately HK\$26.5 million; (iv) the decrease in wages, salaries and other benefits and pension scheme contributions by approximately HK\$10.5 million; and (v) the net gain of approximately HK\$11.4 million on the disposal of the Group's 49% equity interest in China Comfort Tourism Group Company Limited[#] (中國康輝旅遊集團有限責任公司, "China Comfort"), an associate of the Group that is engaged in the provision of travel agent services in the PRC, in October 2020.

According to the 2021 Interim Report, the Group recorded total revenue of approximately HK\$47.7 million for the six months ended 30 June 2021 compared to approximately HK\$112.6 million for the corresponding period of last year, representing a decline of approximately 57.6%. As stated in the 2021 Interim Report, such a decrease in revenue was mainly because the Group had managed to record a relatively healthy amount of sales of outbound air tickets and outbound tourism-related services in January 2020, before the COVID-19 pandemic brought about international travel restrictions, which hurt the Group's diversified tourism products and services businesses for the year ended 31 December 2020 as well as the six months ended 30 June 2021.

Further, on 18 May 2021, the Group completed the acquisition of Shijiazhuang Dongsheng and its subsidiaries, which are principally engaged in the provision of property management and leasing services for residential and commercial properties in Hebei Province, the PRC. Regarding this new property management business, the Group recorded revenue of approximately HK\$10.4 million during the six months ended 30 June 2021.

Loss for the period decreased by approximately 82.5% to approximately HK\$5.6 million for the six months ended 30 June 2021, from approximately HK\$32.0 million for the same period of last year. The decrease in loss was primarily attributable to the net effect of (i) the decrease in gross profit by approximately HK\$2.6 million as compared to the corresponding period of last year; (ii) the recognition of net gain on disposal of the remaining portion of the piece of land located in New Zealand of approximately HK\$9.4 million during the six months ended 30 June 2021; (iii) the decrease in wages, salaries and other benefits and pension scheme contributions (excluding costs related to the subsidiaries acquired during the six months ended 30 June 2021) by approximately HK\$5.2 million; and (iv) the absence of loss from discontinued operation of China Comfort in the first half of 2021 as compared to the share of loss of it of approximately HK\$12.8 million during the six months ended 30 June 2020.

[#] For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Meanwhile, the consolidated assets and liabilities of the Group as at 31 December 2020 and 30 June 2021, as extracted from the 2020 Annual Report and 2021 Interim Report, are summarised as follows:

Table 2: Summarised financial position of the Group

	As at 30 June 2021	As at 31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
<i>Total assets</i>		
Non-current assets	301,248	277,226
– Investment properties	159,286	139,403
– Other property, plant and equipment	135,553	131,395
– Others	6,409	6,428
Current assets	601,412	573,161
– Inventories	217,425	214,620
– Trade receivables, prepayments, deposits and other receivables	53,700	129,455
– Restricted bank deposits	1,393	2,239
– Cash and cash equivalents	328,894	179,309
– Assets held for sale	–	47,538
<i>Total liabilities</i>		
Non-current liabilities	35,150	16,135
Current liabilities	164,895	131,699
Net current assets	436,517	441,462
Net assets	702,615	702,553
Equity attributable to owners of the Company	627,514	624,820

As at 30 June 2021, the Group's total assets amounted to HK\$902.7 million, which mainly included (i) inventories of approximately HK\$217.4 million; (ii) investment properties of approximately HK\$159.3 million; (iii) other property, plant and equipment of approximately HK\$135.6 million; and (iv) cash and cash equivalents of approximately HK\$328.9 million. The net assets of the Group remained relatively stable at approximately HK\$702.6 million as at 30 June 2021. As disclosed in the 2021 Interim Report, assets held for sale as at 31 December 2020 represented the remaining portion of the piece of land in New Zealand, which was disposed of in May 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The consolidated equity attributable to owners of the Company slightly increased from approximately HK\$624.8 million as at 31 December 2020 to approximately HK\$627.5 million as at 30 June 2021.

2. Information on the OVPD

OVPD is a company incorporated in the PRC, is principally engaged in the Business, and is wholly owned by Mr. Shi, the chairman of the Board, the chief executive officer of the Company and an executive Director. Mr. Shi is also a controlling shareholder of the Company holding, including through OVRE, 7,974,502,025 Shares (representing approximately 61.72% of the entire issued share capital of the Company) as at the Latest Practicable Date.

3. Reasons for and benefits of entering into the Framework Agreement

As stated in the Board Letter, with the COVID-19 pandemic still in existence, the full recovery for the global tourism industry remains highly uncertain. The Board believes it is vital for the Company to take appropriate actions to mitigate the negative impact of the COVID-19 pandemic and reduce Shareholders' losses. As such, the Group has been exploring new income streams in the PRC since late July 2020 in order to improve its financial performance and achieve better returns for the Shareholders.

As stated in the 2021 Interim Report, on 18 May 2021, the Group completed the acquisition of the entire equity interest in Shijiazhuang Dongsheng, which, alongside its subsidiaries, are principally engaged in the provision of property management and leasing services for residential and commercial properties in Hebei Province, the PRC. Since the completion of the acquisition, Shijiazhuang Dongsheng contributed property management and leasing related revenue of approximately HK\$10.4 million to the Group for the six months ended 30 June 2021. The completion of the acquisition has allowed the Group to successfully enter into the property management and leasing related businesses and enjoy additional income sources that are less affected by the COVID-19 pandemic. To improve the financial viability of such businesses, we noted that the Group had formed a team of 8 experienced staff to manage, among others, the Property Management Services, and the Commercial Properties and Merchants Management Services. As stated in the Board Letter, certain Directors, including Mr. Shi, also possess extensive experience in the property development and management industry in the PRC and are leading and fully supporting the aforementioned businesses of the Group.

On the other hand, we noted that the Group has continued to facilitate the development of other businesses in the integrated development segment that are less affected by the COVID-19 pandemic, in particular the Event Planning Services. According to our discussion with the Company, since 2019, the Group has been operating event planning and all-round event production services in respect of OVPD's real estate development in the PRC under the Event Planning Framework Agreement, and that OVPD is satisfied with the services offered by the Group. We also understand that the Group has recruited a team of 11 experienced staff equipped with extensive experience in corporate image building, brand management, marketing, event planning and public relations and communication.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Board Letter, the Board considers that the Group is capable of operating the Event Planning Services, the Property Management Services and the Commercial Properties and Merchants Management Services on a larger scale. Given that it is not yet known how long the impact of the COVID-19 pandemic will last, we consider that by entering into the Framework Agreement, the Group will earn additional and promising sources of income, which should improve its financial stability and returns to the Shareholders.

Accordingly, we are of the view that the entering into of the Framework Agreement and the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned.

4. The Framework Agreement

The following table summarises the principal terms of the Framework Agreement:

Date:	1 December 2021 (after trading hours)
Parties:	(i) The Company; and (ii) OVPD
Term:	Commencing on date of the Framework Agreement and ending on 31 December 2023

Pursuant to the Framework Agreement, the services to be provided by the Group to the OVPD Group under the Framework Agreement shall be conducted on normal commercial terms or better, in particular:

- (i) the terms of the Continuing Connected Transactions must be fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) the terms of the Continuing Connected Transactions shall be no less favourable to the Group than terms available from independent third parties from the Group (the “**Independent Third Parties**”);
- (iii) the Continuing Connected Transactions shall be conducted after arm’s length negotiations; and
- (iv) the Continuing Connected Transactions shall not exceed the Proposed Annual Caps without re-complying with the Listing Rules’ requirements regarding continuing connected transactions.

The Group shall follow such internal control measures as demonstrated under the section headed “Internal Control Measures” in the Board Letter to ensure that the service fees to be received by the Group are no less favourable to the Group than those offered to, or quoted by, Independent Third Parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For details on the pricing policy for the Continuing Connected Transactions, please refer to the sub-section headed “Pricing Policy” under the section headed “The Framework Agreement” in the Board Letter.

4.1. Subject Matter

(i) *Event Planning Services*

According to the Company’s circular dated 10 January 2020 in relation to the continuing connected transactions under the Event Planning Framework Agreement, on 28 November 2019, the Company and OVPD entered into the Event Planning Framework Agreement for the Event Planning Services for the period between 28 November 2019 and 30 September 2022. For the better management of the business cooperation between the Group and the OVPD Group and in view that the OVPD Group would bring more event planning projects to the Group, the Company and OVPD agreed to terminate the Event Planning Framework Agreement and entered into the Framework Agreement. Under the Framework Agreement, concerning the Event Planning Services, the Group shall be responsible for the following matters, including but not limited to:

- (a) pre-event planning;
- (b) decoration of venue for the event;
- (c) design and production of materials to be used in the event;
- (d) recruitment and management of performers for the event;
- (e) provision of stage lighting and equipment for the event;
- (f) recruitment and management of on-site crews for the event;
- (g) obtaining relevant approval required for holding the event from the relevant authorities; and
- (h) assisting OVPD Group to retreat the equipment from the event venue.

(ii) *Property Management Services*

Reference is made to the announcement of the Company dated 8 February 2021 in relation to, among the others, the continuing connected transactions pursuant to Rule 14A.60 of the Listing Rules. Shijiazhuang Dongsheng has become a wholly-owned subsidiary of the Company since 18 May 2021, and including its subsidiaries is in the course of providing the Property Management Services to the OVPD Group under the Property Management Agreements.

Pursuant to Rule 14A.60 of the Listing Rules, if the agreement for a continuing transaction (which subsequently becomes a continuing connected transaction) is renewed or its terms are varied, the listed issuer must comply with all connected transaction requirements.

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As some of the Property Management Agreements have expired and in view that the OVPD Group would bring more property management projects to the Group, the Company and OVPD (as the case maybe) entered into the Framework Agreement to govern and manage the transactions between the Group and the OVPD Group in respect of the Property Management Services. Under the Framework Agreement, in relation to the Property Management Services, the Group shall be responsible for the following matters, including but not limited to:

- (a) providing property management services including maintenance, concierge, cleaning, safety, administration and management services for the sales offices, display units, leisure areas and other related areas;
- (b) providing property management services, including assistance on keeping public order and safety, maintenance and management of common areas, operation, maintenance and management of the facilities and equipment, cleaning, gardening, repair, owners' home maintenance service and arranging for decoration and renovation services for commercial and residential units and car parking spaces; and
- (c) providing pre-delivery services, including inspection and cleaning services and consultancy services for residential units prior to delivering residential units and property management office preparation services.

(iii) Commercial Properties and Merchants Management Services

Under the Framework Agreement, in relation to the Commercial Properties and Merchants Management Services, the Group shall be responsible for the following matters, including but not limited to:

- (a) providing guidance and assistance to merchants;
- (b) advertising and promoting vacancies;
- (c) preparing yearly operation proposal;
- (d) envisaging work plan and preparing budget plan;
- (e) preparing regular management reports;
- (f) organising property management team;
- (g) carrying out property management services including maintenance, concierge, cleaning, safety, administration and management for the facilities, car parking spaces, etc. within the commercial properties;
- (h) supervising repair and maintenance works of the facilities within the commercial properties; and

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- (i) providing assistance to the OVPD Group for the recovering of rent, management fees, etc., from merchants and tenants.

The Group shall enter into a specific agreement regarding each individual transaction contemplated under the Framework Agreement, which shall be performed separately under the relevant specific agreement in accordance with the principal terms under the Framework Agreement.

4.2. Service Fees

(i) *Event Planning Services*

As set out in the section headed “Service Fees” in Board Letter, the fee to be charged by the Group for the provision of the Event Planning Services shall be determined after arm’s length negotiation based on the scope and scale of services, work complexity, location, expected labour force to be involved in completing the services, work schedule and the prevailing market rates for comparable planning services available from other marketing or event planning companies in the PRC, and in any event, the fee offered by the OVPD Group to the Group shall be on normal commercial term or better than that offered to (a) the Group by other independent marketing or event planning companies for comparable services; and (b) Independent Third Parties by the OVPD Group for comparable services.

If the total service fee is agreed at a fixed sum, 30% of the total service fee shall be paid by the OVPD Group to the Group within seven days after the signing of the specific agreement and the balance shall be paid within seven days after the issuance of a completion confirmation and an inspection report by the OVPD Group in respect of the relevant event.

If the total service fee is variable and is required to be determined after taking into account the unit price per headcount and actual time spent, the total service fee shall be paid within 30 days after the service.

(ii) *Property Management Services*

Property Management Services includes (i) management service for sales offices, display units, leisure areas and other related areas; (ii) management service for commercial and residential units and car parking spaces; and (iii) pre-delivery property management and related services.

- a. *Management services for sales offices, display units, leisure areas and other related areas*

The OVPD Group shall pay to the Group for each relevant project a monthly management fee equivalent to a sum determined based on an arm’s length basis by reference to (i) the labour costs and other necessary expenses incurred or expected to be incurred in providing the relevant services; and (ii) the market price of services of comparable nature and scale.

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b. Management services for commercial and residential units and car parking spaces

The OVPD Group shall pay to the Group a monthly management fee equivalent to a sum calculated based on the total gross floor area of the commercial and residential units and the number of car parking spaces (which are unsold or not available for sale) at a unit price determined by reference to (i) the nature of the real estate projects and geographical locations; (ii) labour costs and other necessary expenses incurred or expected to be incurred in providing the relevant services; (iii) the market price of services of comparable nature and scale; and (iv) the indicative prices set by local government authorities (for residential units only).

c. Pre-delivery property management and related services

The OVPD Group shall pay to the Group a management fee equivalent to a sum calculated based on the total gross floor area of residential units to be delivered at a unit price determined by reference to (i) the labour costs and other necessary expenses incurred or expected to be incurred in providing the relevant services; and (ii) the market price of services of comparable nature and scale. Such fee shall be paid before commencing the services.

(iii) Commercial Properties and Merchant Management Services

The OVPD Group shall pay to the Group a fixed monthly management fee of RMB3,000,000 (equivalent to approximately HK\$3,600,000), which is determined based on (i) the total gross floor area and geographical locations of four commercial properties (all located in Shijiazhuang, Hebei Province, the PRC with a total gross floor area of 106,504 square meters); (ii) labour costs and other necessary expenses incurred or expected to be incurred in providing the relevant services; and (iii) the market price of services of comparable nature and scale.

4.3. Conditions Precedent

The Framework Agreement is conditional upon:

- (i) the Framework Agreement and the Continuing Connected Transactions having been approved by the respective board of directors of the Company and OVPD;
- (ii) all guarantees, representations and warranties given by the Company and OVPD under the Framework Agreement remaining valid, true and correct in all material respects;
- (iii) the Independent Shareholders having approved the Framework Agreement and the transactions contemplated thereunder by way of poll at the EGM to be convened in compliance with the Listing Rules; and

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- (iv) (if necessary) all authorities' authorisations, approvals, consents, waivers and permits which are necessary or relevant to give effect to the Framework Agreement and the Continuing Connected Transactions having been granted, received or obtained and not revoked.

Save for conditions precedent (ii) which can be waived by the Company or OVPD (as the case may be), none of the conditions precedent can be waived by the Company or OVPD.

5. Assessment of the principal terms of the Framework Agreement

In assessing the principal terms of the Framework Agreement, we have reviewed the Framework Agreement and discussed with the Company the major terms therein. Through our discussion and review, we noted that the Group is not restricted from providing the relevant services to Independent Third Parties. If the Group decides to enter into a contract to provide such services to the OVPD Group under the Framework Agreement, they shall be conducted on normal commercial terms that are similar to, or more favourable to the Group than, the terms offered to/by Independent Third Parties for comparable services.

In assessing the pricing basis adopted by the Group for the Continuing Connected Transactions, we have conducted the below review.

(i) Event Planning Services

We understand from the Directors that, before entering into any specific agreement in relation to the Event Planning Services, the Group shall have a meeting(s) with the OVPD Group to discuss and negotiate the terms of such specific agreement based on the pricing basis as discussed in the above sub-section headed "Service Fees", including but not limited to the scope and scale of services, work complexity, location, expected labour force to be involved in completing the services, work schedule, and the prevailing market rates for comparable planning services available from other marketing or event planning companies in the PRC.

In respect of the prevailing market rates for services comparable to the Event Planning Services, we noted that the Board would obtain, or request the OVPD Group to obtain, fee quotations from at least two independent marketing or event planning companies in the PRC for comparable services, in order to ensure that the terms of that specific agreement are fair and reasonable and on normal commercial terms or better to the Group, than those available from Independent Third Parties.

In determining whether the pricing basis for the Event Planning Services is fair and reasonable, we have obtained, reviewed and examined eight randomly-selected samples of service contracts made under the Event Planning Framework Agreement and compared them to another eight randomly-selected samples for similar services provided by Independent Third Parties dated during the same quarter. From our review and comparison of these samples, we noted that the fees charged by the Group for the provision of the Event Planning Services are in line with, or better than, the market rates. Given that the samples were selected on a random basis, we also consider that the samples reviewed are fair and representative and sufficient in supporting our analysis.

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We understand that in ensuring the fairness and reasonableness of the pricing terms for the Event Planning Services, the Group will continue to perform market research by obtaining fee quotations from at least two independent marketing or event planning companies in the PRC for comparable services. Hence, we are of the view that the pricing terms for the Event Planning Services will continue to be on normal commercial terms during the term of the Framework Agreement.

(ii) *Property Management Services*

a. Management services for sales offices, display units, leisure areas and other related areas

On 18 May 2021, the Group acquired Shijiazhuang Dongsheng, which has been providing property management services to the OVPD Group since 2013. Apart from the pricing basis adopted in the Framework Agreement in relation to the Property Management Services as discussed in the above sub-section headed “Service Fees” under the section headed “The Framework Agreement”, we noted that the Group has also considered the historical budget and fee for, as well as the profit margin of, similar services charged by Shijiazhuang Dongsheng and its subsidiaries.

In determining whether the pricing basis for management services for sales offices, display units, leisure areas and other related areas is fair and reasonable, we have obtained, reviewed and examined three randomly-selected samples of service contracts made between Shijiazhuang Dongsheng and OVPD for such services between 2020-2021, which state that the fees would be charged based on the labour costs and other necessary expenses incurred in providing such services plus a profit margin of 15%, and compared such profit margin of 15% with the profit margin of similar services provided by Shijiazhuang Dongsheng to Independent Third Parties during the same period (calculated based on our review of the five service contracts made between Shijiazhuang Dongsheng and Independent Third Parties for similar services during the same period and the Company’s budget for providing such services). From our review, we noted that the profit margin of the services offered by Shijiazhuang Dongsheng (or the Group after the acquisition of which on 18 May 2021) to the OVPD Group is higher than that of similar services offered by Shijiazhuang Dongsheng to Independent Third Parties. Hence, we are of the view that the pricing terms offered by the Group for such services to the OVPD Group are in line with, or better than, the terms offered to Independent Third Parties. Meanwhile, given that the samples were selected on a random basis, we also consider that the samples reviewed are fair and representative and sufficient in supporting our analysis.

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b. Management services for commercial and residential units and car parking spaces

In determining whether the pricing basis for management services for commercial and residential units and car parking spaces is fair and reasonable, we have obtained, reviewed and examined three randomly-selected samples of service contracts made between the Group and OVPD for each service and compared the pricing terms thereof to three randomly-selected samples of service contracts provided to Independent Third Parties for similar services. From our review, we noted that the pricing terms offered by the Group for such services to the OVPD Group are in line with the pricing terms offered by the Group to Independent Third Parties. Given that the samples were selected on a random basis, we also consider that the samples reviewed are fair and representative and sufficient in supporting our analysis.

c. Pre-delivery property management and related services

For pre-delivery property management and related services, we understand from our discussion with the Group that it expected to charge a unit price of at least RMB11 per square meter for residential units, which as discussed above, is determined based on the labour costs and other necessary expenses incurred or expected to be incurred in providing the relevant services, as well as the market price of services of comparable nature and scale. Such fee shall be paid before commencing the services.

In assessing whether such unit price is fair and reasonable, we conducted independent research and obtained three publicly available quotations provided by Independent Third Parties for the provision of inspection and cleaning services prior to the delivery of residential units in the same provinces, and noted that the market prices for the provision of comparable services ranged between approximately RMB6-10 per square meter,¹ which is lower than the unit price of RMB11 per square meter to be charged by the Group.

Given that the Group will also provide consultancy services for residential units prior to the delivery thereof, as well as preparation services for setting up property management offices for those residential units, we understand that when determining the unit price for pre-delivery property management and related services, the Company may adjust the existing unit price to one that is higher than what is actually cost-efficient and reasonable with regards to providing these services.

¹ Please refer to the websites for the public available quotations:

https://search.jd.com/search?keyword=%E5%BC%80%E8%8D%92%E4%BF%9D%E6%B4%81&wq=%E5%BC%80%E8%8D%92%E4%BF%9D%E6%B4%81&ev=5298_13127%7C%7C90016%7C%7C77663;

[https://item.jd.com/10021716934653.html#crumb-wrap;](https://item.jd.com/10021716934653.html#crumb-wrap)

[https://item.jd.com/10027428286562.html#crumb-wrap;](https://item.jd.com/10027428286562.html#crumb-wrap) and

http://dlguihai.com/cs_/zixun/201909/1614061.html

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In this regard, we understand from the Group that, should its costs of providing such services per square meter be higher than RMB11 and that a new and higher unit price cannot be agreed upon between the Group and the OVPD Group, the Group would not take on the project. Given that the unit price of RMB11 per square meter is slightly higher than the range of the market prices of between approximately RMB6-10 per square meter, and that the Group will take measures to ensure its profitability, we are of the view that the pricing basis for these services is fair and reasonable.

(iii) Commercial Properties and Merchant Management Services

As discussed in the above sub-section headed “Service Fees” under the section headed “The Framework Agreement”, the fixed monthly management fee of RMB3,000,000 to be charged by the Group to the OVPD Group was determined based on (i) the total gross floor area and geographical locations of four commercial properties (all located in Shijiazhuang, Hebei Province, the PRC with a total gross floor area of 106,504 square meters); (ii) labour costs and other necessary expenses incurred or expected to be incurred in providing the relevant services; and (iii) the market price of services of similar nature and scale.

We have discussed with the Company and understand that after considering the above pricing basis, the Group is expected to generate a gross profit margin (the “GP Margin(s)”) of about 28.2% for each of the three years ending 31 December 2023 for its provision of the Commercial Properties and Merchant Management Services to the OVPD Group, which is calculated based on the agreed management fee for the three years and the Company’s budget in relation to providing such services. In understanding whether the GP Margin of about 28.2% is fair and reasonable, we conducted an independent search of companies actively listed on the Main Board of the Stock Exchange, which for their latest financial year, (i) were principally engaged in the property management business and had such business contributed over 50% of their revenue; and (ii) generated over 90% of their property management revenue from the PRC. In order to meaningfully analyse the Company’s expected GP Margin, we have further eliminated from our review those listed companies which as disclosed in their latest annual reports, for their respective latest financial year, (i) had no cost of services and sales in their provision of property management business (i.e. 100% gross profit margin), as we consider them to be outliers; and (ii) only offered property management business to residential properties, which is not the scope of services under the Commercial Properties and Merchant Management Services.

Based on the above selection criteria, we have identified 33 comparable listed companies (“Comparable Companies”), which are set out in Table 3 below. We consider our selection criteria and the Comparable Companies as fair and reasonable, given that (i) like the Company, the Comparable Companies are all listed on the Main Board of the Stock Exchange, and their scales of the businesses are therefore expected to be comparable; and (ii) generated the majority of their property management revenue from the PRC, implying that they were operating in an environment similar to the Company and hence their GP Margins should provide a good and pertinent benchmark. We confirm that the list of Comparable Companies is exhaustive. We also consider that reviewing their respective latest annual reports and hence financial years should provide a general understanding of the financial performance of property management businesses under the prevailing market conditions and sentiments.

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On the other hand, given that the Group has only started its property management business in May 2021 after its acquisition of Shijiazhuang Dongsheng and its subsidiaries as discussed above, the Group is relatively new to the industry compared to the Comparable Companies and hence the Comparable Companies' property management businesses may not constitute close and representative references to the Commercial Properties and Merchant Management Services. Taking into consideration the differences between the Comparable Companies and the Group in terms of overall business nature (i.e., the fact that the Group is still principally engaged in tourism-related businesses), financial position and performance, as well as market capitalisation, we would also like to emphasise that the Comparable Companies should not be taken as exact references to the Group. Rather, one should note that the Comparable Companies are included in our analysis only because their property management businesses constitute fair market and additional references in determining the fairness and reasonableness of the pricing basis for the Commercial Properties and Merchant Management Services.

Set out below is the GP Margins of the Comparable Companies.

Table 3: Analysis of the Group's and Comparable Companies' GP Margin

Company name	Stock Code	GP Margin
Huafa Property Services Group Co., Limited	982	27.9%
Financial Street Property Co., Limited	1502	19.8%
Sunac Services Holdings Limited	1516	27.6%
Colour Life Services Group Co., Limited	1778	33.6%
Xinyuan Property Management Service (Cayman) Limited	1895	39.4%
Yincheng Life Service Co., Limited	1922	16.9%
Ye Xing Group Holdings Limited	1941	24.3%
Landsea Green Life Service Co., Limited	1965	26.7%
Redsun Services Group Limited	1971	27.9%
First Service Holding Limited	2107	34.6%
Roiserv Lifestyle Services Co., Limited	2146	28.1%

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Company name	Stock Code	GP Margin
C&D Property Management Group Co., Limited	2156	24.5%
Ling Yue Services Group Limited	2165	33.8%
Kangqiao Service Group Limited	2205	30.7%
Ronshine Service Holding Co., Limited	2207	28.8%
China Overseas Property Holdings Limited	2669	18.3%
Binjiang Service Group Co. Limited	3316	31.0%
A-Living Smart City Services Co., Limited	3319	29.7%
New Hope Service Holdings Limited	3658	42.1%
Aoyuan Healthy Life Group Company Limited	3662	34.2%
KWG Living Group Holdings Limited	3913	42.1%
Poly Property Services Co., Limited	6049	18.7%
Yuexiu Services Group Limited	6626	34.5%
Evergrande Property Services Group Limited	6666	38.1%
E-Star Commercial Management Co., Limited	6668	56.3%
Sino-Ocean Service Holding Limited	6677	25.3%
Zhenro Services Group Limited	6958	34.8%
Excellence Commercial Property & Facilities Management Group Limited	6989	24.1%
Jinke Smart Services Group Co., Limited	9666	29.7%
Xingye Wulian Service Group Co., Limited	9916	40.7%
Times Neighborhood Holdings Limited	9928	30.2%

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Company name	Stock Code	GP Margin
Greentown Management Holdings Co., Limited	9979	47.8%
Central China New Life Limited	9983	32.4%
	Minimum:	16.9%
	Maximum:	56.3%
	Average:	31.3%

Source: the website of the Stock Exchange

As shown in the above table, the GP Margins of the Comparable Companies ranged between 16.9% to 56.3%, with an average of 31.3%. Accordingly, the expected GP Margin of about 28.2% for the Group's provision of the Commercial Properties and Merchant Management Services to the OVPD Group, is slightly lower than the average GP Margins of the Comparable Companies of about 31.3% by 3.1 percentage points. Nonetheless, given that such expected GP Margin of about 28.2% is higher than the minimum GP Margin of the Comparable Companies of about 16.9% by 11.3 percentage points, we consider that such expected GP Margin remains fair and reasonable so far as the Independent Shareholders are concerned.

In addition, having considered that (i) the relevant members of the Group are not restricted from providing the services under the Framework Agreement to Independent Third Parties; (ii) the Continuing Connected Transactions shall be conducted on normal commercial terms that are similar to, or more favourable to the Group than, the terms offered to/by Independent Third Parties for the same services; and (iii) the Continuing Connected Transactions (including the Proposed Annual Caps) will be governed and monitored by the pricing policies and internal control measures of the Group as discussed in the next section of this letter, we are of the view that the terms of the Continuing Connected Transactions are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

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6. Internal control measures

The Group has adopted internal control procedures and corporate governance measures (the “**Internal Control Measures**”) in relation to the Continuing Connected Transactions. Details of which can be found in the section headed “Internal control measures” in the Board Letter.

We have obtained and reviewed the internal policy document from the Company that governing the Continuing Connected Transactions. We note that the senior management of the Group and independent non-executive Directors shall be responsible for monitoring and reviewing the specific agreements to ensure such transactions conducted under the Framework Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole. The finance department of the Group is also responsible for monitoring the services fees for the Continuing Connected Transactions to ensure that they will be conducted by the terms of the Framework Agreement and that the Proposed Annual Caps will not be exceeded.

In considering whether the Internal Control Measures are adequate and effective, we have performed a walkthrough of the internal control system for the Event Planning Services and Property Management Services (the two services which have historical records for review) and obtained relevant supporting documents including, amongst others, (i) the transactions entered into between the Group and the OVPD Group, which we used to compare with the terms offered to/by Independent Third Parties as discussed in the above section headed “Assessment of the principal terms of the Framework Agreement” of this letter; and (ii) records of the actual transaction amount incurred. Based on our review of this information and examination of the internal control system, we are satisfied that the internal control procedures have been properly maintained by the Group and that the Event Planning Services and Property Management Services have been conducted on normal commercial terms with terms comparable to, or more favourable to the Group than, those offered to/by Independent Third Parties.

We also noted from the 2020 Annual Report that annual reviews of the Group’s continuing connected transactions (including those contemplated under the Event Planning Framework Agreement) had been conducted according to Chapter 14A of the Listing Rules and that the independent non-executive Directors had reviewed and confirmed that these continuing connected transactions were entered into, among other things, (i) in the ordinary and usual course of business of the Group; (ii) in accordance with the terms of the respective agreements governing such transactions and on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) either on normal commercial terms or terms more favourable to the Group than, those offered to/by Independent Third Parties. The 2020 Annual Report also confirms that the Company’s auditors had issued the relevant letters to the Company pursuant to Chapter 14A of the Listing Rules that these continuing connected transactions were conducted in accordance with their terms and that their respective proposed annual caps were not exceeded. Furthermore, the Continuing Connected Transactions will, pursuant to the Listing Rules, continue to be subject to the annual review by the independent non-executive Directors and the auditors of the Company, details of which must be included in the Company’s subsequent published annual reports and annual confirmation by the auditors of the Company.

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Given that (i) the Group's continuing connected transactions (including those contemplated under the Event Planning Framework Agreement) have been conducted in accordance with their terms; (ii) the Continuing Connected Transactions will continue to be compared with the terms for similar services or transactions offered to/by Independent Third Parties to ensure that the relevant engagements will be conducted on normal commercial terms; (iii) there is an appropriate segregation of duties in the approval process in each of the transactions and engagements; (iv) a monitoring system is in place with the finance department of the Group ensuring that the relevant annual caps are not exceeded from time to time; and (v) the pricing terms and the Proposed Annual Caps will be reviewed annually by the auditors, the internal audit team and the independent non-executive Directors, we are satisfied that the Internal Control Measures are adequate and effective in ensuring the Continuing Connected Transactions will be entered into on normal commercial terms and comparable to, or more favourable to the Group than, those offered to/by Independent Third Parties and that there will continue to be an effective operating system in place to monitor the Proposed Annual Caps.

7. Assessment of the Proposed Annual Caps

7.1 Historical figures

The following table sets out historical transaction amounts of the Event Planning Services, the Property Management Services and the Commercial Properties and Merchants Management Services for the three years ended 31 December 2021.

Table 4: Historical figures of the Transactions

	For the year ended 31 December		
	2019	2020	2021
			(Unaudited)
	<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>
<i>Event Planning Services (Note)</i>			
Aggregate transaction amount	8.9	31.7	23.8
	(equivalent to HK\$10.7 million (from 28 November 2019))	(equivalent to HK\$38.0 million)	(equivalent to HK\$28.6 million)
<i>Property Management Services</i>			
Aggregate transaction amount	Not applicable	Not applicable	8.4
			(equivalent to HK\$10.1 million)

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	For the year ended 31 December		
	2019	2020	2021
			(Unaudited)
	<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>
<i>Commercial Properties and Merchant Management Services</i>			
Annual caps	Not applicable	Not applicable	3.0 (equivalent to HK\$3.6 million)
Total	8.9 (equivalent to HK\$10.7 million)	31.7 (equivalent to HK\$38.0 million)	35.2 (equivalent to HK\$42.3 million)

Note:

The existing annual caps for the Event Planning Services under the Event Planning Framework Agreement approved by the Independent Shareholders in the extraordinary general meeting of the Company held on 31 January 2020 are as follow:

- (i) RMB9.48 million (equivalent to approximately HK\$10.56 million based on the then exchange rate applied by the Company) for the period from 28 November 2019 to 31 December 2019;
- (ii) RMB35.82 million (equivalent to approximately HK\$39.89 million based on the then exchange rate applied by the Company) for the year ended 31 December 2020;
- (iii) RMB26.05 million (equivalent to approximately HK\$29.01 million based on the then exchange rate applied by the Company) for the year ended 31 December 2021; and
- (iv) RMB17.11 million (equivalent to approximately HK\$19.06 million based on the then exchange rate applied by the Company) for the period from 1 January 2022 to 30 September 2022.

The above existing annual caps for the period from 1 January 2022 to 30 September 2022 for the Event Planning Services will be replaced by, if approved in the EGM, the Proposed Annual Caps for the Event Planning Services.

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7.2 The Proposed Annual Caps

The following table sets out the Proposed Annual Caps for the two years ending 31 December 2023.

Table 5: Proposed figures of the Transactions

	For the year ending 31 December	
	2022	2023
	RMB (million)	RMB (million)
Event Planning Services	33.7	25.1
	(equivalent to HK\$40.4 million)	(equivalent to HK\$30.1 million)
Property Management Services	16.5	23.8
	(equivalent to HK\$19.8 million)	(equivalent to HK\$28.6 million)
Commercial Properties and Merchant Management Services	36.0	36.0
	(equivalent to HK\$43.2 million)	(equivalent to HK\$43.2 million)
Total	86.2	84.9
	(equivalent to HK\$103.4 million)	(equivalent to HK\$101.9 million)

7.3 Basis for determining the Proposed Annual Caps

(i) Event Planning Services

In determining the Proposed Annual Caps for the Event Planning Services, the Group has taken into account (i) the updated development plan of real estate projects provided by the OVPD Group; (ii) the updated event planning and marketing budget plan for each of the real estate projects provided by the OVPD Group; (iii) the estimated work to be undertaken by the Group in the real estate projects; and (iv) a buffer calculated based on the year-to-year growth of 6%.

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(ii) Property Management Services

In determining the Proposed Annual Caps for the Property Management Services, the Group has taken into account:

- (a) For management services for sales offices, display units, leisure areas and other related areas: (i) the size of eight projects under management and the agreed management fees pursuant to the relevant Property Management Agreements; (ii) the estimated size of four new projects to be managed by the Group according to the development plan of real estate projects for the period from December 2021 to 2023 provided by the OVPD Group and the estimated management fees for such management services; and (iii) a buffer calculated based on the year-to-year growth of 6%.
- (b) For management services for commercial and residential units and car parking spaces: (i) the total gross floor area of 17,184 square meters of commercial and residential units and 1,116 car parking spaces under management and the agreed management fees pursuant to the relevant Property Management Agreements; (ii) the estimated size of new commercial and residential units with a total gross floor area of approximately 203,000 square meters according to the development plan of real estate projects provided by the OVPD Group and the estimated management fees for such management services; and (iii) a buffer calculated based on the year-to-year growth of 6%; and
- (c) For the pre-delivery property management and related services: (i) the total gross floor area of approximately 451,183 square meters of residential units to be delivered and the agreed management fees pursuant to the relevant Property Management Agreements; (ii) the estimated size of new residential units with a total gross floor area of approximately 567,000 square meters to be managed by the Group according to the development plan of real estate projects for the period from December 2021 to 2023 provided by the OVPD Group and the estimated management fees for such management services; and (iii) a buffer calculated based on the year-to-year growth of 6%.

(iii) Commercial Properties and Merchant Management Services

In determining the Proposed Annual Caps for the Commercial Properties and Merchant Management Services, the Group has taken into account (i) the total gross floor area of the four commercial properties of 106,504 square meters; (ii) the estimated work to be undertaken by the Group for the Commercial Properties and Merchants Management Services; and (iii) the agreed management fee in relation to the Commercial Properties and Merchant Management Services under the Framework Agreement.

7.4 Our assessment of the Proposed Annual Caps

(i) Event Planning Services

To assess the fairness and reasonableness of the above determining basis of the Proposed Annual Caps for the Event Planning Services, we have obtained and reviewed (i) the preliminary schedule and event planning and marketing budget plan for each of the real estate projects for the period from December 2021 to 2023 provided by OVPD; and (ii) the estimated number and scale of works to be undertaken by the Company or its subsidiaries for the real estate projects for the period from December 2021 to 2023.

We noted that the relevant Proposed Annual Caps for the two years ending 31 December 2023 of approximately RMB33.7 million and RMB25.1 million, respectively, account for approximately 16.2% and 12.1% of the Group's total revenue of approximately RMB208.3 million for the year ended 31 December 2020. Given that with the Event Planning Services, the Group's revenue is expected to further increase in the coming two years, we are of the view that there is and would be no excessive reliance of the Group on the OVPD Group for the Event Planning Services and that the relevant Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

(ii) Property Management Services

As for the Proposed Annual Caps for the Property Management Services, we have obtained and reviewed (i) the preliminary schedule and property management budget plan for each of the real estate projects for the period from December 2021 to 2023 provided by the OVPD Group; and (ii) the estimated number and scale of works to be undertaken by the Group for the real estate projects for the period from December 2021 to 2023 and the estimated relevant management fees.

We noted that the relevant Proposed Annual Caps for the two years ending 31 December 2023 of approximately RMB16.5 million and RMB23.8 million, respectively, account for approximately 7.9% and 11.4% of the Group's total revenue of approximately RMB208.3 million for the year ended 31 December 2020. Given that with the Property Management Services, the Group's revenue is expected to further increase in the coming two years, we are of the view that there is and would be no excessive reliance of the Group on the OVPD Group for the Property Management Services and that the relevant Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

(iii) Commercial Properties and Merchant Management Services

For the Proposed Annual Caps for the Commercial Properties and Merchant Management Services, we have reviewed (i) the preliminary schedule and commercial properties and merchant management budget plan for each of the four commercial properties from December 2021 to 2023 provided by the OVPD Group; and (ii) the estimated number and scale of works to be undertaken by the Group for these properties from December 2021 to 2023 and the estimated relevant management fees.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that the relevant Proposed Annual Caps for the two years ending 31 December 2023 of approximately RMB36.0 million and RMB36.0 million, respectively, account for approximately 17.3% and 17.3% of the Group's total revenue of approximately RMB208.3 million for the year ended 31 December 2020. Given that with the Commercial Properties and Merchant Management Services, the Group's revenue is expected to further increase in the coming two years, we are of the view that there is and would be no excessive reliance of the Group on the OVPD Group for the Commercial Properties and Merchant Management Services and that the relevant Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

From our discussion with the Company, we noted that the buffer calculated based on the year-to-year growth of 6% for the Proposed Annual Caps was determined based on (i) the historical annual growth rate of the gross domestic product (the "GDP") of the PRC of about 6% for 2018 and 2019,² the years before the COVID-19 pandemic hit the Chinese and the global economies, and (ii) the PRC's year-on-year GDP growth rate of about 4.9% in the third-quarter of 2021.³ Given that the Group principally operates in the PRC market, which has resumed growth since the COVID-19 pandemic became largely under control starting from the end of 2020, we consider that it is fair and reasonable to take reference from the pre-COVID-19 growth of the PRC's GDP when determining the buffer for the Proposed Annual Caps.

In addition, given that from our review of the 2020 Annual Report and as discussed above, the Group has successfully expanded into the property management businesses in 2021, and such businesses had already contributed to the Group revenue of approximately HK\$10.4 million during the six months ended 30 June 2021, which accounts for more than 20% of the revenue for the period, we consider that it is fair and reasonable to have a positive outlook on the property management businesses and adopt a buffer in determining the Proposed Annual Caps.

In light of the above and the fact that the business opportunities provided by the Framework Agreement will give the Group additional sources of income and thus improve the Group's financial performance, we are of the view that the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

² Please refer to: <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=CN>

³ Please refer to: http://www.stats.gov.cn/tjsj/zxfb/202110/t20211018_1822960.html

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the principal factors and reasons set out above, we consider that the Framework Agreement and the Continuing Connected Transactions will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better, and that the terms of the Framework Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) approving the Framework Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps) at the EGM. We also recommend the Independent Shareholders to vote in favour of the Framework Agreement and the Continuing Connected Transactions (including the Proposed Annual Caps) at the EGM.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles Li*
Managing Director

* *Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including long and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Name of Director	Capacity	Number of Shares/underlying shares of the Company held	Approximate percentage of shareholding in the Company
Mr. Shi	Interest in a controlled corporation	10,036,241,816 (note 1)	77.67%
	Beneficial owner	130,239,145 (note 2)	1.01%
Mr. Dong Xiaojie	Beneficial owner	2,014,285	0.02%

Notes:

- (1) Mr. Shi holds 100% equity interest in OVRE and is deemed to be interested in the 10,036,241,816 shares of the Company held by OVRE under the SFO. The interests include the holding of (i) 7,844,752,880 Shares; (ii) the perpetual convertible securities issued in March 2016 (the "2016 March PCS") convertible into 128,771,155 Shares; and (iii) the perpetual convertible securities issued in October 2016 (the "2016 October PCS") convertible into 2,062,717,781 Shares.
- (2) Mr. Shi beneficially owns 130,239,145 Shares.
- (3) The approximate percentage was calculated based on 12,922,075,516 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company has or is deemed to have any long or short position in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including long and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, to the best knowledge of the Directors, the following entities (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares/underlying shares of the Company held	Approximate percentage of shareholding in the Company
OVRE (<i>note 1</i>)	Beneficial Interest	10,036,241,816	77.67%
Outstanding Global Holdings Limited (“OGH”) (<i>note 2</i>)	Person having security interests in shares and perpetual convertible securities of the Company	6,507,039,225	50.36%
Chance Talent Management Limited (“CMT”) (<i>note 3</i>)	Person having security interests in shares and perpetual convertible securities of the Company	6,630,044,868	51.31%

Notes:

- (1) OVRE is wholly-owned by Mr. Shi. The interests include the holding of (i) 7,844,752,880 Shares; (ii) the 2016 March PCS convertible into 128,771,155 Shares; and (iii) the 2016 October PCS convertible into 2,062,717,781 Shares.
- (2) OGH is wholly-owned by China Huarong International Holdings Limited which is indirectly wholly-owned by China Huarong Asset Management Co., Ltd. (a corporation listed on the Stock Exchange). The 6,507,039,225 shares of the Company, in aggregate, comprise security interests in (i) 6,501,273,713 Shares pledged by OVRE; and (ii) the 2016 October PCS (convertible into 5,765,512 Shares) pledged by OVRE.

- (3) CTM is a limited liability business company incorporated under the laws of the British Virgin Islands and an indirectly wholly-owned special purpose vehicle of CCB International (Holdings) Limited. CCB International (Holdings) Limited is an investment services flagship which is indirectly wholly-owned by China Construction Bank Corporation, a joint-stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 0939) and the Shanghai Stock Exchange (stock code: 601939). The 6,630,044,868 shares of the Company, in aggregate, comprise security interests in (i) 6,501,273,713 Shares pledged by OVRE; and (ii) the 2016 March PCS (convertible into 128,771,155 Shares) pledged by OVRE.
- (4) The approximate percentage was calculated based on 12,922,075,516 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short positions in the Shares or underlying shares of the Company which would require to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, which is not determinable by the relevant employing member of the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the following Director(s) is/are considered to have interests in the following businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Director(s) of the Company was/were appointed as directors or represent the interests of the Company and/or the Group pursuant to the Listing Rules as set out below:

Name of Director	Name of entity which were considered to compete or likely to compete with the business of the Group	Description of competing business	Nature of interest
Mr. Shi	Orient Victory Group HK Holdings Limited (“OVHK”) 東勝集團香港控股有限公司 (note 1)	Real estate/ Property development	Sole director and sole shareholder
	OVPD (note 1)	Real estate/ Property development	Sole shareholder
	Hebei Jianing Commercial Management Co., Limited* (河北嘉寧商業管理有限公司) (note 2)	Commercial property management	Sole shareholder

Name of Director	Name of entity which were considered to compete or likely to compete with the business of the Group	Description of competing business	Nature of interest
	Hebei Orient Victory Commercial Management Co., Limited* (河北東勝商業管理有限公司) (note 2)	Commercial property management	Sole shareholder

Notes:

- (1) As (i) Mr. Shi is fully aware of his fiduciary duty to the Group, and will abstain from voting on any matter where there is or may be a conflict of interest; (ii) the Group engages only in travel-related property development projects which are located in the countryside while OVHK and OVPD engage in property development projects other than travel-related property development projects which are located in urban areas; and (iii) the Group have the right of first refusal on any travel-related property development projects, the Group is capable of carrying its business independently of and at arm's length from the businesses of these entities.
- (2) As (i) Mr. Shi is fully aware of his fiduciary duty to the Group, and will abstain from voting on any matter where there is or may be a conflict of interest; and (ii) the Group have the right of first refusal on any further projects relating to the Property Management Services and Commercial Properties and Merchants Management Services, the Group is capable of carrying its business independently of and at arm's length from the businesses of these entities.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or any of their respective close associates had engaged in or had any interest in any business which causes or may cause any competition with the business of the Group or any conflicts with the interests of the Group.

6. OTHER INTERESTS OF THE DIRECTORS

- (a) As at the date of this circular, save for (i) the acquisition of 47 commercial units located at Zijingyuehe Centre (South zone), 2 Fengya Road, Changan District, Shijiazhuang City, Hebei Province, the PRC* (中國河北省石家莊市長安區豐雅路2號紫晶悅和中心南區) by the Group from the OVPD Group (For details, please refer to the announcement of the Company dated 20 January 2022); and (ii) the acquisition of the right-of-use asset in respect of eight (8) shops, namely Shop 107, Levels 1 to 2, Block 1 and Shops 101 to 107, Levels 1 to 2, Block 3, No. 55, Quannan East Street, Qiaodong District, Xingtai City, Hebei Province* (河北省刑臺市橋東區泉南東大街55號1號樓1至2層107商舖及3號樓1至2層101至107號商舖) by the Group from the OVPD Group (For details, please refer to the announcement of the Company dated 8 February 2021), none of the Directors had any interest, either direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up); and

- (b) save for the followings, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group:
- (i) the event planning framework agreement dated 28 November 2019 entered into between OVPD and the Company in relation to the provision of event planning and front-to-back production services. For details, please refer to the circular of the Company dated 10 January 2020;
 - (ii) the property management agreements in relation to (i) the provision of property management services for sales offices, display units, leisure areas and other related areas; (ii) the provision of property management services for commercial and residential units and car parking spaces; and (iii) pre-delivery property management and related services, by the Group to the OVPD Group. For details, please refer to the announcement of the Company dated 8 February 2021; and
 - (iii) the Framework Agreement.

7. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given its opinions or advice which are included in this circular:

Name	Qualifications
Pelican Financial Limited	a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders

As at the Latest Practicable Date, Pelican Financial Limited (i) did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) did not have any direct or indirect interest in any assets which have been, since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Pelican Financial Limited has given and has not withdrawn its written consent to the issue of this circular, with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, the date to which the latest published audited financial statements of the Group were made up.

9. MISCELLANEOUS

The company secretary of the Company is Mr. Liu Kin Wai.

The registered office of the Company is located at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The principal place of business of the Company in Hong Kong is situated at 1201B, 12/F., Tower 1 Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.

The Company's share registrar and transfer office in Hong Kong is Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.orientvictory.com.hk>) for the period of 14 days from the date of this circular:

- (a) the Framework Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out in this circular; and
- (d) the consent letter of the Independent Financial Adviser referred to in the paragraph headed "Qualifications and Consent of Expert" in this Appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Orient Victory Travel Group Company Limited (the “Company”) will be held at the meeting room of 25/F, building number 1 of Zijingyuan, 158 Pinganbeidajie, Changan District, Shijiazhuang City, Hebei Province, the PRC* (中國河北省石家莊市長安區平安北大街158號紫晶苑1號樓25層會議室) on Wednesday, 16 March 2022 at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution, which will be proposed as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** (i) the framework agreement dated 1 December 2021 (the “**Framework Agreement**”) entered into among the Company and Orient Victory Property Development Group Co., Ltd.* (東勝房地產開發集團有限公司) (“**OVPD**”) be and are hereby approved, confirmed and ratified; (ii) the proposed annual caps of RMB86.2 million (equivalent to HK\$103.4 million) for the year ending 31 December 2022 and RMB84.9 million (equivalent to HK\$101.9 million) for the year ending 31 December 2023, in respect of the transactions contemplated under the Framework Agreement be and are hereby approved, confirmed and ratified; and (iii) any one director of the Company be and is hereby authorised to do all such acts and things and sign all such documents (under seal, if necessary) and to take all such steps as they consider necessary or expedient or desirable in connection with or to give effect to the Framework Agreement and to implement the transactions contemplated thereunder and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interests of the Company.”

By order of the Board

Orient Victory Travel Group Company Limited

SHI Baodong

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 28 February 2022

Notes:

- (1) A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies (if holding two or more shares) to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (2) In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM or any adjournment thereof (as the case may be), should he/she so wishes and in such event, the form of proxy shall be deemed to be revoked.
- (3) To ascertain the member's entitlement to attend and vote at the EGM, the register of members will be closed from Monday, 14 March 2022 to Wednesday, 16 March 2022, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for attending and voting at the EGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Friday, 11 March 2022.
- (4) Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the EGM or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (5) In case of joint shareholdings, any one of such joint shareholders may vote at the EGM either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint shareholders be present at the EGM, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.
- (6) In view of the ongoing novel coronavirus disease COVID-19 pandemic, the Company strongly recommends the shareholders to exercise their voting rights by appointing the chairman of the EGM as their proxy to vote on the relevant resolution at the EGM as an alternative to attending the meeting in person.

The following prevention and control measures will be implemented at the EGM in order to cooperate with the prevention and control of the pandemic so as to safeguard the health and safety of the shareholders and the participants of the meeting:

- (i) All participants (including shareholders or their proxy) in the EGM are required to wear appropriate face masks at all times during their attendance;
- (ii) Compulsory body temperature check will be conducted for every shareholder or proxy at the entrance of the venue. Any person with abnormal body temperature will not be admitted to the venue; and
- (iii) No refreshments will be served, and there will be no corporate gifts. Seating will be arranged to ensure adequate physical distancing between attendees in order to reduce person-to-person contact.

* *For identification purpose only*