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香港中旅國際投資有限公司
CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 308)

DISCLOSABLE TRANSACTION CONSTRUCTION CONTRACT

THE CONSTRUCTION CONTRACT

On 24 December 2021, CTSPI, a wholly-owned subsidiary of the Company, entered into the Construction Contract with the Contractor, pursuant to which CTSPI agreed to engage the Contractor to carry out the Construction Work at the estimated contract sum of HK\$822,780,000 (subject to adjustments).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Construction Contract is or are more than 5% but all are less than 25%, the transactions contemplated under the Construction Contract constitute a disclosable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 24 December 2021, CTSPI, a wholly-owned subsidiary of the Company, entered into the Construction Contract with the Contractor, pursuant to which CTSPI agreed to engage the Contractor to carry out the Construction Work at the estimated contract sum of HK\$822,780,000 (subject to adjustments).

THE CONSTRUCTION CONTRACT

The principal terms of the Construction Contract are set out below:

Date

24 December 2021

Parties

- (1) CTSPI, as the principal
- (2) the Contractor, as the contractor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Contractor and its ultimate beneficial owner are Independent Third Parties.

Scope of Construction Works

The Construction Work includes the construction of a 28-storey business boutique hotel and its complementary facilities, with a total construction floor area of approximately 27,647 square metres and a total site area covered by the building of approximately 1,644 square metres located at the Hung Hom Land Parcel. The scope of work includes main building works, structure works, facade works, building services installation, interior fitting-out works, landscape works, earthworks and other associated works etc.

Expected Completion Date

3 November 2023

Total contract sum

The total contract sum under the Construction Contract is estimated to be HK\$822,780,000, which is subject to adjustment based on the actual construction period, construction works undertaken and the prevailing market rates of labour and materials in Hong Kong with reference to the final accounts prepared by a quantity surveyor under the Construction Contract.

The contract sum was determined through a tender process carried out by CTSPI after conducting relevant evaluation procedures, whereby invitation to bid for the Construction Work was solicited by CTSPI and the tender submitted by the Contractor was considered to be the most appropriate after taking into account various factors, including quotations, professional qualifications, technical experience, market position and project management abilities and was arrived at after arm's length negotiations with reference to the services required under and relevant design, procurement and prevailing market conditions of the Construction Work. The Board is of the view that the total contract sum is fair and reasonable.

The total contract sum will be funded by the internal resources of the Group.

Payment terms

Under the terms of the Construction Contract, the Architect will issue a certificate for interim payment (an “**Interim Certificate**”) at the end of each Period. CTSPI shall pay the amount due to the Contractor stated in the Interim Certificate within 30 calendar days upon the presentation of the same, less any monies deductible by CTSPI under the Construction Contract.

The amount stated as due in an Interim Certificate, subject to any agreement between the parties as to stage payments, shall be the estimated gross valuation of the work in progress (the “**WIP**”) by the Contractor less a retained amount of 10% of the WIP and the total amount stated as due in each Interim Certificate previously issued.

The Contractor shall submit an estimate of the WIP to a quantity surveyor at least 14 days before the date on which an Interim Certificate is due to be issued. The quantity surveyor shall then make an interim valuation of the WIP in accordance with the terms of the Construction Contract to determine the estimated amount due in an Interim Certificate and shall submit his valuation to the Architect at least 7 days before the Interim Certificate is due to be issued.

The quantity surveyor shall prepare the final account (being a statement of all adjustments made to the estimated contract sum of HK\$822,780,000 in accordance with the terms of the Construction Contract) within 12 months from the date of the substantial completion of all the Construction Work and the passing of the required inspections and tests to the Architect’s satisfaction, in which the final contract sum after adjustment in accordance with the terms of the Construction Contract (the “**Final Contract Sum**”) will be set out.

A final certificate (the “**Final Certificate**”) stating, amongst others, the (i) Final Contract Sum , (ii) the sum of the amounts already stated as due in each Interim Certificate and (iii) the net sum due from the Contractor to CTSPI or otherwise (as the case may be) (the “**Final Payment**”), will be issued by the Architect at least 28 days after a copy of the final account signed by the quantity surveyor is given to each of the parties and as soon as practicable after the issue of a certificate by the Architect to the effect that all defects, shrinkages and other faults for all the Construction Work have been rectified. The Final Payment shall be payable, from the Contractor to CTSPI or otherwise (as the case may be), within 28 days after the issue of the Final Certificate, subject to all deductions authorised by the Construction Contract and the general rights of set off at law.

The Final Certificate generally shall be conclusive evidence in any proceedings arising out of the Construction Contract, except and insofar as the Final Certificate shall have been rendered erroneous by reason of fraud, dishonesty or fraudulent concealment.

Surety bond

Pursuant to the terms of the Construction Contract, the Contractor shall provide CTSPI with a surety bond to guarantee the due performance of its obligations under the Construction Contract, by a form of surety bond issued by a bank or an insurance company. The amount of the surety bond is in the sum of approximately HK\$34,328,000 equivalent to 10% of the estimated contract sum less all prime cost sums.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION CONTRACT

As disclosed in the Company's annual report for the year ended 31 December 2020 and its interim report for the six months ended 30 June 2021, the Group completed the procedure for a land premium payment for the Hung Hom Land Parcel in 2018. The application for conversion of the Hung Hom Land Parcel to hotel use was approved by the Hong Kong Government and the land's value has increased significantly. The demolition of Hip Kee Godown (No. 3) has been completed in 2020 and the Group planned to build a multifunctional medium-to-high-grade business boutique hotel located at the Hung Hom Land Parcel.

Attributed to the recovery from COVID-19, the overall performance of the Group's hotel business improved. In the first half of 2021, revenue from the Group's hotel operations increased approximately 51% compared with the corresponding period of last year and contributed a 19.9% of the Group's total revenue. Taking into account the location, rail transit system and sea view resources of the proposed new hotel, the Board is of the view that the Construction Work under the Construction Contract will position the proposed new hotel at a medium-to-high-end market position capable of commanding a higher revenue and reaching out to a wider business and leisure customer base. This is in line with the Group's business strategies to revitalise and optimize its existing assets and enhance their operational efficiency, unlocking land value and development potential.

The Directors (including the independent non-executive Directors) consider that the terms of the Construction Contract are on normal commercial terms and are fair and reasonable and that the entering into of the Construction Contract is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Construction Contract is or are more than 5% but all are less than 25%, the transactions contemplated under the Construction Contract constitute a disclosable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INFORMATION OF THE PARTIES

The Company is a company incorporated in Hong Kong with limited liability. The principal business activities of the Group include operations of travel destinations (including hotels, theme parks, natural and cultural scenic spots, and leisure resorts), travel documents and related operations, passenger transportation operations.

CTSPI is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in property development, property leasing and investment holding businesses.

The Contractor is a company incorporated in Hong Kong with limited liability and is principally engaged in building construction and maintenance businesses. It is an indirect non wholly-owned subsidiary of CIHL, a company the shares of which are listed on the Stock Exchange (stock code: 25).

DEFINITIONS

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

“Architect”	an architect or entity retained or to be retained by CTSPI in accordance with the terms of the Construction Contract, which shall be lawfully licensed to practice architecture in Hong Kong
“Board”	the board of Directors
“CIHL”	Chevalier International Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange (stock code: 25)
“Company”	China Travel International Investment Hong Kong Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange (stock code: 308)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Contract”	the construction contract dated 24 December 2021 entered into between CTSPI and the Contractor, pursuant to which CTSPI shall engage the Contractor for and the Contractor shall undertake the Construction Work
“Construction Work”	the construction work involves in the construction of a 28-storey business boutique hotel and its complementary facilities, with a total construction floor area of approximately 27,647 square metres, and a total site area covered by the building of approximately 1,644 square metres located at the Hung Hom Land Parcel. The scope of work includes main building works, structure works, facade works, building services installation, interior fitting-out works, landscape works, earthworks and other associated works etc.
“Contractor”	Chevalier (Construction) Company Limited, a company incorporated in Hong Kong with limited liability and an indirect non-wholly owned subsidiary of CIHL
“CTSPI”	China Travel Service Property Investment Hong Kong Limited (formerly known as China Travel Service (Hong Kong) Limited), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company

“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hip Kee Godown (No. 3)”	the warehouse operated by CTSPI and was located on the Hung Hom Land Parcel before it was demolished in 2020
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hung Hom Land Parcel”	the land parcel owned by CTSPI located at No. 1 Cheong Tung Road, Hung Hom, Kowloon, Hong Kong, KIL – 10663
“Independent Third Parties”	parties who are independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Period”	one calendar month
“PRC”	the People’s Republic of China which, for the purpose of this announcement, exclusively refer to Mainland China
“Share(s)”	ordinary shares in the share capital of the Company
“Shareholders”	holder of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By Order of the Board
China Travel International Investment Hong Kong Limited
Jiang Hong
Chairman

Hong Kong, 24 December 2021

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Jiang Hong, Mr. Lo Sui On, Mr. Wu Qiang, Mr. Fan Dongsheng, Mr. Tang Yong; one non-executive Director, namely Mr. Tsang Wai Hung; and five independent non-executive Directors, namely Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke, Mr. Huang Hui, Mr. Chen Johnny and Mr. Song Dawei.