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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)**

## **DISCLOSEABLE AND CONNECTED TRANSACTION**

### **PROPOSED SUBSCRIPTION AND DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY**

**Financial adviser to the Company**

**ICBC  工银国际**

#### **THE PROPOSED SUBSCRIPTION**

The Board is pleased to announce that on 29 June 2022 (after trading hours), CTSPI and CTS (Holdings) entered into the Subscription Agreement, pursuant to which, CTS (Holdings) conditionally agreed to subscribe for, and CTSPI conditionally agreed to allot and issue, the Subscription Shares at the Subscription Amount.

As at the date of this announcement, CTSPI is an indirect wholly-owned subsidiary of the Company. Upon Completion, CTSPI will be held as to 90.29% indirectly by the Company and as to 9.71% directly by CTS (Holdings). CTSPI will remain a non-wholly owned subsidiary of the Company.

#### **LISTING RULES IMPLICATIONS**

Upon Completion, the equity interest in CTSPI indirectly held by the Company will be diluted from 100% to 90.29%, the Proposed Subscription constitutes a deemed disposal pursuant to Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios exceed(s) 5% but all are less than 25%, the Proposed Subscription constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

CTS (Holdings) is a connected person of the Company by virtue of being a controlling shareholder which is interested in 61.15% of the issued share capital of the Company. The Proposed Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios exceed(s) 5% and the Subscription Amount exceeds HK\$10,000,000, the Proposed Subscription is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

A circular containing, among others, (i) details of the Subscription Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Proposed Subscription; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Subscription; (iv) a property valuation report of the CTSPI Group; and (v) a notice of the EGM with a form of proxy will be dispatched to the Shareholders. The circular is expected to be dispatched to the Shareholders on or before 21 July 2022.

## **THE SUBSCRIPTION AGREEMENT**

The Board is pleased to announce that on 29 June 2022 (after trading hours), CTSPI and CTS (Holdings) entered into the Subscription Agreement, pursuant to which, CTS (Holdings) conditionally agreed to subscribe for, and CTSPI conditionally agreed to allot and issue, the Subscription Shares at the Subscription Amount.

The principal terms of the Subscription Agreement are set out below:

### **Date**

29 June 2022 (after trading hours)

### **Parties**

- (1) CTSPI; and
- (2) CTS (Holdings)

### **The Proposed Subscription**

CTS (Holdings) conditionally agreed to subscribe for, and CTSPI conditionally agreed to allot and issue, the Subscription Shares at the Subscription Amount.

The Subscription Shares shall be duly authorised and issued as fully paid, and rank pari passu in all respects with all other shares of the same class in CTSPI outstanding on the Completion Date and be entitled in accordance with the articles of association of CTSPI to all dividends and distributions attached to the shares in CTSPI the record date for which falls on a date on or after the Completion Date.

### **The Subscription Amount and its basis of determination**

The Subscription Amount, being RMB400,000,000 (equivalent to approximately HK\$468,000,000), was arrived at after arm's length negotiations between CTSPI and CTS (Holdings), with reference to, among others, (i) the valuation of the total issued shares of CTSPI as at 31 December 2021 of HK\$4,352,000,000 as assessed by the Independent Valuer using asset based approach; (ii) the unaudited consolidated net asset value of the CTSPI Group as at 30 April 2022 of approximately HK\$2,738,000,000; (iii) the valuation of the properties of the CTSPI Group as at 30 April 2022 of HK\$4,286,400,000 as assessed by the Independent Valuer; (iv) the reasons for and benefits of the Proposed Subscription as described under the section headed "Reasons for and benefits of the Proposed Subscription" below; and (v) the future business prospects of the CTSPI Group.

The Subscription Amount shall be settled by capitalisation of the same amount out of the Current Accounts Payable at Completion.

### **Conditions precedent**

Completion is conditional upon, among other things, the fulfilment or waiver by CTS (Holdings) in writing (where applicable) of the following conditions precedent:

- (i) the internal approval procedures (including obtaining valid approval from the competent department) in accordance with laws for the Subscription Agreement and the transaction contemplated thereunder having been completed by CTS (Holdings) and all necessary acknowledgements, consents and approvals (if any) having been obtained by CTS (Holdings);
- (ii) the internal approval procedures (including obtaining valid board approval and shareholder approval) in accordance with laws for the Subscription Agreement and the transaction contemplated thereunder having been completed by CTSPI and all necessary acknowledgements, consents and approvals (if any) having been obtained by CTSPI;
- (iii) the passing of resolution(s) by the Independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM and all necessary acknowledgements, consents and approvals (if any) having been obtained by the Company;
- (iv) the representations and warranties provided by CTSPI having remained true and accurate, and not misleading, on the date of the Subscription Agreement and the Completion Date;
- (v) no material adverse event having occurred with respect to CTSPI from the date of the Subscription Agreement to the date prior to the Completion Date; and

(vi) there being no laws, regulations, ordinances, rules, judicial interpretations, judgments, rulings, decisions or injunctions of courts or relevant government agencies, government authorities or other applicable laws or any agreements, contracts or documents that restrict, prohibit or cancel the Proposed Subscription, and there being no pending lawsuits, arbitrations, judgments, awards, rulings or injunctions materially and adversely affecting the CTSPI Group or the Proposed Subscription.

CTS (Holdings) may waive conditions precedent (iv) and (v) in writing. In the event that any of the aforementioned conditions precedent have not been fulfilled or waived (where applicable) prior to the Long Stop Date, the Subscription Agreement shall terminate automatically and cease to have any effect. All rights, obligations and liabilities of CTSPI and CTS (Holdings) under the Subscription Agreement shall be discharged and neither CTSPI nor CTS (Holdings) shall have any claim against each other, save for antecedent breaches.

## Completion

Completion is expected to take place on the Completion Date.

The shareholding structure of the ordinary shares in CTSPI <sup>(Note 1)</sup> (i) as at the date of this announcement; and (ii) immediately upon Completion is set out below:

Shareholders of ordinary shares	As at the date of this announcement		Immediately upon Completion	
	No. of shares	Approximate %	No. of shares	Approximate %
Company <sup>(Note 2)</sup>	10,000	100.00	10,000	90.29
CTS (Holdings)	—	—	1,075	9.71
<b>Total</b>	<b>10,000</b>	<b>100.00</b>	<b>11,075</b>	<b>100.00</b>

Note:

1. There are a total of 1,000,000 non-voting deferred shares in CTSPI, 2,000 of which are held by a wholly-owned subsidiary of the Company and 998,000 of which are held by CTS (Holdings). The non-voting deferred shares in CTSPI have no right to distributions made by CTSPI nor right to vote at any general meeting of CTSPI.
2. The ordinary shares in CTSPI are indirectly held by the Company through its wholly-owned subsidiary and the nominee of such subsidiary.

## **Termination**

Prior to Completion, the Subscription Agreement shall be terminated in the following manners:

- (i) upon mutual agreement in writing between CTSPI and CTS (Holdings);
- (ii) in the event that any of the aforementioned conditions precedent have not been fulfilled or waived (where applicable) prior to the Long Stop Date, the Subscription Agreement shall terminate automatically;
- (iii) in the event that Completion does not take place on the Completion Date as a result of the failure of a party to the Subscription Agreement (the “**Defaulting Party**”) to comply with any of its obligations at Completion, the other party may, by written notice to the Defaulting Party, demand to terminate the Subscription Agreement.

## **REASONS FOR AND BENEFITS OF THE PROPOSED SUBSCRIPTION**

As set out in the annual report of the Company for the year ended 31 December 2021, the Group is studying the revitalisation and optimisation of existing assets, including properties in Hong Kong, with the aim of enhancing operational efficiency and unlocking value. CTSPI holds a land parcel in Hung Hom, Hong Kong, which is currently under development of a 28-storey business boutique hotel and complementary facilities on the land parcel. Such development, which requires a considerable amount of capital expenditure, is expected to be completed in or around November 2023. The Subscription Agreement will strengthen the capital base of CTSPI such that it will be in a better position to meet the capital requirement for its future business development.

In view of the above, the Directors (excluding (i) the independent non-executive Directors who will give their opinion after taking into account the advice of the Independent Financial Adviser; and (ii) the Excluded Directors (as defined below)) consider that the terms of the Proposed Subscription are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

## **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, and passenger transportation operations.

CTSPI is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement. The CTSPI Group is principally engaged in investment holding, properties investment in Hong Kong and Macau and operation of a hotel in Macau. CTSPI is also holding and developing a land parcel in Hung Hom, Hong Kong for hotel use.

CTS (Holdings) is a company incorporated in Hong Kong with limited liability. The CTS (Holdings) Group is principally engaged in travel business and real estate development. As at the date of this announcement, CTS (Holdings) is a connected person of the Company by virtue of being a controlling shareholder which is interested in 61.15% of the issued share capital of the Company. CTS (Holdings) is ultimately wholly-owned by China CTS, a central state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. The China CTS Group is principally engaged in travel business, real estate development and finance.

## **FINANCIAL INFORMATION OF THE CTSPI GROUP**

The unaudited consolidated financial information of the CTSPI Group for each of the two financial years ended 31 December 2020 and 2021 is set out below:

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation and extraordinary items	204,927	2,915
Loss after taxation and extraordinary items	212,600	13,650

The unaudited consolidated net asset value of the CTSPI Group as at 30 April 2022 was approximately HK\$2,738,000,000.

## **FINANCIAL IMPACT TO THE COMPANY**

As at the date of this announcement, CTSPI is a wholly-owned subsidiary of the Company. Upon Completion, CTSPI will be held as to 90.29% indirectly by the Company and as to 9.71% directly by CTS (Holdings). CTSPI will remain a non-wholly owned subsidiary of the Company.

The results of operations and financial position of the CTSPI Group will continue to be consolidated into the Group's consolidated financial statements. It is expected that the deemed disposal will not result in any material gain or loss in the Company's consolidated statement of profit or loss and other comprehensive income and there will be no material financial impact on the Group resulting from the deemed disposal.

The Subscription Amount will be used for funding the costs of a hotel construction project in Hung Hom, Hong Kong.

## LISTING RULES IMPLICATIONS

Upon Completion, the equity interest in CTSPI indirectly held by the Company will be diluted from 100% to 90.29%, the Proposed Subscription constitutes a deemed disposal pursuant to Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios exceed(s) 5% but all are less than 25%, the Proposed Subscription constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

CTS (Holdings) is a connected person of the Company by virtue of being a controlling shareholder which is interested in 61.15% of the issued share capital of the Company. The Proposed Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios exceed(s) 5% and the Subscription Amount exceeds HK\$10,000,000, the Proposed Subscription is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, Mr. Jiang Hong and Mr. Tang Yong are directors of certain subsidiaries of China CTS, Mr. Wu Qiang holds an executive position at CTS (Holdings), and Mr. Tsang Wai Hung is a director of CTS (Holdings) (collectively, the "**Excluded Directors**"). The Excluded Directors are regarded as having material interest in the Subscription Agreement. Save for Mr. Wu Qiang who was absent from the Board meeting and did not vote on the Board resolutions in respect of the Subscription Agreement and the transactions contemplated thereunder at the relevant Board meeting, all other Excluded Directors have abstained from voting on the said Board resolutions. Save as disclosed above, none of the other Directors has any material interest in the Subscription Agreement and the transactions contemplated thereunder and accordingly, none of them were required to abstain from voting on the Board resolutions thereof.

## GENERAL

The Company has established an Independent Board Committee, comprising all the independent non-executive Directors, to advise the Independent Shareholders in connection with the Proposed Subscription, and as to how to vote at the EGM. The Company has also appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

An EGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve, among other things, the Proposed Subscription.

A circular containing, among others, (i) details of the Subscription Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Proposed Subscription; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Subscription; (iv) a property valuation report of the CTSPI Group; and (v) a notice of the EGM with a form of proxy is expected to be dispatched to the Shareholders on or before 21 July 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Wednesday, 3 August 2022 to Monday, 8 August 2022 (both dates inclusive), for the purposes of ascertaining Shareholders' entitlement to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share register, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 2 August 2022.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Business Day”	any day (other than Saturdays, Sundays and public holidays) on which the Stock Exchange is open for the business of dealing in securities and on which banks are open for business in Hong Kong
“China CTS”	China National Travel Service Group Corporation Limited, a central state-owned enterprise under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, which owns the entire issued share capital of CTS (Holdings)
“China CTS Group”	China CTS and its subsidiaries, but excluding the Group for the purpose of this announcement
“Company”	China Travel International Investment Hong Kong Limited, a company incorporated in Hong Kong with limited liability and the securities of which are listed on the main board of the Stock Exchange (Stock code: 308)
“Completion”	completion of the Proposed Subscription

“Completion Date”	the fifth (5th) Business Day after all the conditions precedents to the Completion have been fulfilled or waived (where applicable) (or such other date as the parties to the Subscription Agreement may agree in writing)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“CTSPI”	China Travel Service Property Investment Hong Kong Limited, a company incorporated in Hong Kong and a subsidiary of the Company
“CTSPI Group”	CTSPI and its subsidiaries
“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited, a company incorporated in Hong Kong and a controlling shareholder of the Company
“CTS (Holdings) Group”	CTS (Holdings) and its subsidiaries, but excluding the Group for the purpose of this announcement
“Current Accounts Payable”	the balance of current accounts payable by CTSPI to CTS (Holdings) as at the date of the Subscription Agreement
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting to be convened by the Company for the Independent Shareholders to consider and, if thought fit, to approve, among other things, the Proposed Subscription
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Board, comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the Proposed Subscription

“Independent Financial Adviser”	Messis Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Subscription
“Independent Shareholders”	Shareholders other than CTS (Holdings) and its associates and any other persons who are required under the Listing Rules to abstain from voting at the EGM on the resolution to approve the Proposed Subscription
“Independent Valuer”	Cushman & Wakefield Limited, the independent professional valuer appointed by the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the date falling on the sixth (6th) month from the date of the Subscription Agreement or such later date and time which may be agreed by CTSPI and CTS (Holdings)
“percentage ratio”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China (excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan for the purpose of this announcement)
“Proposed Subscription”	the subscription of the Subscription Shares by CTS (Holdings) pursuant to the Subscription Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shares(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 29 June 2022 entered into between CST (Holdings) and CTSPI in relation to the Proposed Subscription
“Subscription Amount”	RMB400,000,000 (equivalent to approximately HK\$468,000,000), being the subscription amount for the Proposed Subscription pursuant to the Subscription Agreement

“Subscription Shares” 1,075 new ordinary shares in CTSPI to be allotted and issued by CTSPI pursuant to the Subscription Agreement

“%” per cent.

*For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.17 has been used for currency translation. Such exchange rate is for illustration purpose only and does not constitute a representation that any amount in RMB or HK\$ has been, could have been or may be converted at such rate or at all.*

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

Hong Kong, 29 June 2022

*As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Jiang Hong, Mr. Lo Sui On, Mr. Chen Xianjun and Mr. Tang Yong; two non-executive Directors, namely Mr. Wu Qiang and 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.*