
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should obtain independent professional advice or 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 China Travel International Investment Hong Kong 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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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)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
PROPOSED SUBSCRIPTION AND
DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company

ICBC 工银国际

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

MESSIS 大有融資

Unless the context requires otherwise, terms used in this cover shall have the same meaning as those in the circular.

“Taking into account the recent development of the epidemic caused by the coronavirus disease (COVID-19), the Company will implement the following prevention and control measures at the EGM to protect Shareholders from the risk of infection:

- (i) compulsory body temperature checks will be conducted for every attending Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
- (ii) maintain a safe distance between seats;
- (iii) every attending Shareholder or proxy is required to wear a surgical mask throughout the EGM; and
- (iv) no refreshments or souvenirs will be served or distributed at the EGM.

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company wishes to advise all Shareholders, in particular those who are subject to quarantine in relation to COVID-19, that they may appoint any person or the Chairman of the EGM as a proxy to attend and vote on any of the resolutions in lieu of attending the EGM in person.

The Company will closely monitor and ascertain the regulations and measures introduced or to be introduced by the Hong Kong government, and if necessary, will make further announcements in case of any update regarding the precautionary measures to be carried out at the EGM.”

A notice convening the EGM to be held at Forum Wing, C/Floor, Metropark Hotel Mongkok, 22 Lai Chi Kok Road, Kowloon, Hong Kong on Friday, 30 September 2022 at 2:30 p.m. is set out on pages 92 to 93 of this circular. Whether or not you are able to attend the EGM, please complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon to the Company’s share registrar, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and, in any event, by no later than 48 hours before the time appointed for the holding of the EGM (or adjourned meeting or of the poll, as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM should you so wish.

13 September 2022

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DEFINITIONS

In this circular, unless the context otherwise requires, 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 circular
“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 circular

DEFINITIONS

“Current Accounts Payable”	the balance of current accounts payable by CTSPI to CTS (Holdings), being approximately RMB406,981,000 (equivalent to approximately HK\$475,957,000 as recorded in the current accounts payable of CTSPI) 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
“Hung Hom Development Project”	the property development project of a boutique hotel currently being conducted by the Group
“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
“Latest Practicable Date”	5 September 2022, being the latest practicable date for the purpose of ascertaining certain information in this circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“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 circular)
“Property Valuation Report”	the property valuation report of the CTSPI Group as at 30 June 2022 as set out in Appendix I to this circular
“Proposed Subscription”	the subscription of the Subscription Shares by CTS (Holdings) pursuant to the Subscription Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“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 circular, save as the context requires otherwise, 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.

LETTER FROM THE BOARD



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)

DIRECTORS:

Executive Directors:

Mr. Jiang Hong (*Chairman*)
Mr. Lo Sui On (*Vice Chairman*)
Mr. Chen Xianjun (*General Manager*)
Mr. Tang Yong

Non-Executive Directors:

Mr. Wu Qiang
Mr. Tsang Wai Hung

Independent Non-Executive Directors:

Mr. Tse Cho Che Edward
Mr. Zhang Xiaoke
Mr. Huang Hui
Mr. Chen Johnny
Mr. Song Dawei

REGISTERED OFFICE:

12th Floor, CTS House
78-83 Connaught Road Central
Hong Kong

13 September 2022

To the Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
PROPOSED SUBSCRIPTION AND
DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY
AND
(2) NOTICE OF EXTRADORINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 29 June 2022 in relation to the Subscription Agreement and the transactions contemplated thereunder.

The primary purpose of this circular is to provide you with, among other matters, (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) the Property Valuation Report; and (v) a notice of the EGM.

LETTER FROM THE BOARD

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 as follows:

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 the equity valuation of CTSPI as at 31 December 2021. According to the equity valuation of CTSPI as at 31 December 2021 as assessed by the Independent Valuer, 100% of equity of CTSPI was valued at approximately HK\$4,352,000,000, accordingly, the Subscription Amount of RMB400,000,000 (equivalent to approximately HK\$468,000,000) amounts to approximately 9.71% of shareholding interest in CTSPI on a post-money basis.

For the valuation of the equity value of the CTSPI Group as at 31 December 2021, the Independent Valuer has adopted the asset-based approach. As the assets of the CTSPI Group consist substantially of properties, the asset-based approach is considered to be the most appropriate methodology in the valuation. Under the asset-based approach, the market value of the assets (including the property interest) and the liabilities of the CTSPI Group have been considered, and a valuation on the property interests held by the CTSPI Group was conducted to arrive at the adjusted net

LETTER FROM THE BOARD

asset value of the CTSPI Group. In the valuation of the equity value of the CTSPI Group, the Independent Valuer has assumed that there (i) will be no major change in the political, legal, economic, financial conditions, taxation laws in the localities in which CTSPI Group operates or intends to operate; (ii) the interest rates and exchange rates in the localities for the operation of CTSPI Group will not differ materially from those then prevailing; (iii) the core business operation of CTSPI Group will not change materially; and (iv) the information regarding CTSPI Group provided by its management is true and accurate. The Independent Valuer has also conducted property valuation of the CTSPI Group as at 31 December 2021 and the results of which have been taken into account when they prepared the equity valuation of the CTSPI Group as at 31 December 2021. The property valuation of the CTSPI Group was subsequently updated to a valuation date of 30 April 2022 prior to the entering into of the Subscription Agreement and further updated to a valuation date of 30 June 2022 to comply with rule 5.07 of the Listing Rules. The full text of the Property Valuation Report with a valuation date of 30 June 2022 was set out in Appendix I to this circular.

The unaudited consolidated net asset value of the CTSPI Group as at 30 April 2022 was approximately HK\$2,738,000,000 and the valuation surplus was approximately HK\$1,519,660,975 (based on the property valuation report as at 30 April 2022 available to the Board prior to the entering into of the Subscription Agreement) should all the properties of the CTSPI Group were recorded at market valuation, bringing the adjusted unaudited consolidated net asset value of the CTSPI Group to approximately HK\$4,257,660,975, which is also not materially different from the equity valuation of CTSPI of HK\$4,352,000,000 as aforementioned. The assumptions and method of valuation applied in the property valuation as at 30 April 2022 are the same as those set out in the Property Valuation Report (see pages 41 to 46 of this circular).

For information purpose, the valuation surplus as at 30 June 2022 (based on the Property Valuation Report) was approximately HK\$1,511,166,244 (see page 12 of this circular), which represents a decrease of approximately 0.56% compared to the valuation surplus as at 30 April 2022 and is not materially different from the valuation surplus as at 30 April 2022. Therefore, the update of the property valuation report to a valuation date of 30 June 2022 does not have any impact on the Subscription Amount.

The Independent Valuer, namely, Cushman & Wakefield Limited, is an independent professional valuer and is experienced in providing advice on real estate equity and debt decisions relating to acquisition, disposition, financing, litigation, and financial reporting. The Independent Valuer has participated in the valuation exercise for more than 270 initial public offering projects and various mergers and acquisitions (M&A) related valuations for companies listed on the Stock Exchange.

The Independent Valuer confirmed that it has fully considered the implication of market volatility brought about by COVID-19 in the valuation of the total issued shares as well as the properties valuation of the CTSPI Group and the impact of COVID-19 on the market volatility has also been set out in the Property Valuation Report (see page 47 of this circular).

LETTER FROM THE BOARD

Having reviewed the property valuation reports of various valuation dates (being 31 December 2021, 30 April 2022 and 30 June 2022) and discussed with the Independent Valuer on the valuation approach and assumptions adopted, including the parameters and adjustment made between the subject properties and comparables, the Directors understand that the valuation approach and assumptions adopted are commonly acceptable and adopted and in line with market practice for conducting valuation of properties of the same nature. Based on the above, the Directors concur with the Independent Valuer and are of the view that the valuation approach and assumptions adopted and the valuation conducted are fair and reasonable, and consider that the Subscription Amount determined at RMB400,000,000 (equivalent to approximately HK\$468,000,000) for a 9.71% interest in CTSPI to be fair and reasonable and on normal commercial terms.

The Subscription Amount shall be settled by capitalisation of the same amount out of the Current Accounts Payable (which amounted to approximately RMB406,981,000 (equivalent to approximately HK\$475,957,000 as recorded in the current accounts payable of CTSPI) as at the date of the Subscription Agreement) 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

LETTER FROM THE BOARD

- (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.

As at the Latest Practicable Date, conditions precedent (i) and (ii) above have been satisfied and CTS (Holdings) has no intention to waive conditions precedent (iv) and (v).

Completion

Completion is expected to take place on the Completion Date.

The shareholding structure of the ordinary shares in CTSPI ^(Note 1) (i) as at the Latest Practicable Date; and (ii) immediately upon Completion is set out below:

Shareholders of ordinary shares	As at the Latest Practicable Date		Immediately upon Completion	
	No. of shares	Approximate %	No. of shares	Approximate %
Company ^(Note 2)	10,000	100.00	10,000	90.29
CTS (Holdings)	<u>-</u>	<u>-</u>	<u>1,075</u>	<u>9.71</u>
Total	<u>10,000</u>	<u>100.00</u>	<u>11,075</u>	<u>100.00</u>

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.

LETTER FROM THE BOARD

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.

It is estimated that the total capital expenditure required for completing the Hung Hom Development Project amounts to approximately HK\$1,068 million, part of which, amounting to approximately HK\$468 million, will be financed by CTS (Holdings) and capitalised pursuant to the Proposed Subscription. Based on the unaudited consolidated management account of CTSPI, as at 30 April 2022, it has a balance of cash amounting to approximately HK\$451.3 million. It is expected that CTSPI and/or the Group will need to further make use of the Group’s internal resources and/or further borrowings from the controlling shareholders of the Company or from banks to complete the Hung Hom Development Project. As at the Latest Practicable Date, the Group did not have any concrete fund-raising plan.

CTS (Holdings) has pre-funded RMB400,000,000 (equivalent to approximately HK\$468,000,000) to CTSPI in January 2022 in order to meet CTSPI’s imminent capital requirement in connection with the Hung Hom Development Project. The Subscription Amount will be settled by capitalising such pre-funded amount of Current Accounts Payable which would otherwise be recorded as amount payable to CTS (Holdings), and therefore can relieve CTSPI’s pressure of repaying the Current Accounts Payable, increase the equity of CTSPI, reduce the debt ratio of CTSPI and the interest expenses of CTSPI payable to CTS (Holdings) going forward. This will strengthen the capital base of CTSPI such that CTSPI will be in a better position to obtain further financing for its future development.

LETTER FROM THE BOARD

The Directors have considered and assessed different fund-raising alternatives. Prior to the Proposed Subscription, the Group has leveraged on debt financing to facilitate its development. As at 31 December 2021, the Group had total borrowings of HK\$528.884 million. While the CTSPI Group did not record bank borrowings, it has been relying on its internal resources and financial support provided by its fellow subsidiaries and the Company recorded as payables to the relevant group companies. Nevertheless, it is not possible for the Group and/or the CTSPI Group to finance all of the capital expenditure solely by borrowings. The Directors consider that it is desirable for the Group to make use of a combination of debt financing and equity financing to support its business development. As compared to debt financing, the Proposed Subscription would not increase the interest expenses burden of the Group and would not impact the Group's gearing position.

In respect of equity fund-raising by way of rights issue to all Shareholders or placement to independent investors, especially amid current market volatility brought by COVID-19, it would involve a more lengthy and uncertain time frame of preparation work and negotiation of terms. Independent investors generally do not prefer investing in an unlisted subsidiary of the Company like CTSPI and in the case of subscription of listed Shares, they generally require discount to market price of the Shares which would lead to bigger dilution to the public Shareholders. In contrast, fund-raising by way of the Proposed Subscription enables the Group (and especially the CTSPI Group) to quickly obtain financial support from its controlling Shareholder for development, without financially burdening the public Shareholders nor potentially having them suffered from dilution in their holdings of the listed Shares, and the public float of the Company will not be affected.

Given that (i) the valuation of the price of the Proposed Subscription is close to the adjusted unaudited consolidated net asset value of the CTSPI Group as of 30 April 2022 as explained in the paragraph headed "The Subscription Amount and its basis of determination" above, the dilution will not have a material adverse effect on the net asset value per share of CTSPI; (ii) the dilution of the Company's shareholding in CTSPI is mild and is less than 10%; and (iii) the Proposed Subscription will provide the advantages to the Group as explained above, the Directors consider that the entering into of the Subscription Agreement is in the interest of the Company and the Shareholders as a whole.

In view of the above, the Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser but excluding 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.

LETTER FROM THE BOARD

CTSPI is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date. 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 Latest Practicable Date, 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:

	Year ended 31 December	
	2020	2021
	<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 Latest Practicable Date, 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 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 was pre-funded by CTS (Holdings) to CTSPI in January 2022 which was recorded as current accounts payable by CTSPI to CTS (Holdings) and has been and will be used to fund the costs of the Hung Hom Development Project. Pursuant to the Subscription Agreement, the Subscription Amount shall be a settlement of the Current Accounts Payable in substance at Completion.

LETTER FROM THE BOARD

VALUATION OF THE PROPERTIES OF THE CTSPI GROUP AND RECONCILIATION

The Independent Valuer valued the properties of the CTSPI Group as at 30 June 2022. The full text of the Property Valuation Report is set out in Appendix I to this circular.

The reconciliation between the net book value of the properties of the CTSPI Group as at 31 December 2021 and the valuation of the same as at 30 June 2022 is set out below:

	<i>HK\$</i>
Net book value of the properties of the CTSPI Group as at 31 December 2021 (audited)	2,722,780,986
Movements for the six months ended 30 June 2022 (unaudited)	
– Addition: cost of construction in progress of the Hung Hom Development Project	83,275,102
– Depreciation	<u>(20,822,332)</u>
Net book value of the properties of the CTSPI Group as 30 June 2022 (unaudited)	2,785,233,756
Valuation surplus	<u>1,511,166,244</u>
Valuation of the properties of the CTSPI Group as at 30 June 2022	<u><u>4,296,400,000</u></u>

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

LETTER FROM THE BOARD

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.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all five independent non-executive Directors has been formed to consider the Subscription Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders on whether the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole, and as to how to vote at the EGM.

Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke, Mr. Huang Hui, Mr. Chen Johnny and Mr. Song Dawei, being all the independent non-executive Directors, have been appointed by the Board to serve as members of the Independent Board Committee. To the best of knowledge, information and belief of the Directors, no member of the Independent Board Committee has any material interest in the Subscription Agreement and the transactions contemplated thereunder.

INDEPENDENT FINANCIAL ADVISER

Messis Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder. A letter from the Independent Financial Adviser is set out on pages 16 to 39 of this circular.

EGM

At the EGM to be convened and held at Forum Wing, C/Floor, Metropark Hotel Mongkok, 22 Lai Chi Kok Road, Kowloon, Hong Kong on Friday, 30 September 2022 at 2:30 p.m., the Company will seek Independent Shareholders' approval for the Subscription Agreement and the transactions contemplated thereunder.

CTS (Holdings) and its associates together held 3,385,492,610 Shares as at the Latest Practicable Date, representing approximately 61.15% of the entire issued share capital of the Company. Among these 3,385,492,610 shares, (i) 2,249,237,709 shares are held directly by CTS (Holdings); and (ii) 1,136,254,901 shares are held directly by Hongkong New Travel Investments Ltd., which is indirectly wholly owned by CTS (Holdings). In view of the interest of CTS (Holdings) and its associates in the Subscription Agreement, CTS (Holdings) and its associates will abstain from voting at the EGM in this regard. The votes to be taken at the EGM will be taken by poll pursuant to Rule 13.39(4) of the Listing Rules, and the results of which will be announced after the EGM in accordance with Rule 13.39(5) of the Listing Rules.

A notice convening the EGM is set out on pages 92 to 93 of this circular.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's share registrar, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 48 hours before the time appointed for the holding of the EGM (or adjourned meeting or of the poll, as the case may be). Completion and return of a form of proxy will not preclude you from attending and voting at the EGM (or adjourned meeting or of the poll, as the case may be) if you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee which is set out on page 15 of this circular and the letter from the Independent Financial Adviser set out on pages 16 to 39 of this circular. The Independent Board Committee, having taken into account and based on the recommendation of the Independent Financial Adviser, considers that the terms of the Subscription Agreement are on fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions proposed to approve the Subscription Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in appendices to this circular.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 27 September 2022 to Friday, 30 September 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 registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 26 September 2022.

Yours faithfully,

By Order of the Board

China Travel International Investment Hong Kong Limited

Jiang Hong

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



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)

13 September 2022

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED SUBSCRIPTION AND DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

We refer to the circular dated 13 September 2022 to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter have the same meaning as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms and in the interests of the Group and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board which contains, among others, information about the Subscription Agreement, and the letter of advice from the Independent Financial Adviser which contains its advice and the principal factors and reasons it has taken into consideration in giving such advice, in respect of the Subscription Agreement.

Having taken into account the principal reasons and factors considered by and the advice from the Independent Financial Adviser, we consider the terms of the Subscription Agreement are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole, and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Subscription Agreement.

Yours faithfully
For and on behalf of
The Independent Board Committee of
China Travel International Investment Hong Kong limited
Mr. Tse Cho Che Edward
Mr. Zhang Xiaoke
Mr. Huang Hui
Mr. Chen Johnny
Mr. Song Dawei
Independent Non-Executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.

MESSIS 大有融資

13 September 2022

*To: The Independent Board Committee and the Independent Shareholders
of China Travel International Investment Hong Kong Limited*

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED SUBSCRIPTION AND DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed subscription and deemed disposal of equity interest in a subsidiary, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company to the Shareholders dated 13 September 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 29 June 2022, 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 Latest Practicable Date, 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.

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%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and the Consideration exceeds HK\$10,000,000, the Proposed Subscription is subject to reporting, announcement and independent shareholders' approval and annual review 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.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke, Mr. Huang Hui, Mr. Chen Johnny and Mr. Song Dawei, has been established to provide recommendations to the Independent Shareholders in connection with the Subscription Agreement and the transactions contemplated thereunder. We are appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not associated with any of the Company, the Group, CTSPI, and CTS (Holdings), their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and accordingly, are considered eligible to give independent advice on the terms of the Subscription Agreement. In the past two years from the date of our appointment, we have not acted as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are eligible to give independent advice pursuant to Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Subscription and the transactions contemplated thereunder.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, (i) the Subscription Agreement and other documents relevant to the Proposed Subscription; (ii) the published information of the Company including the annual reports/annual results for the years ended 31 December 2021 (the “**2021 Annual Report**”); (iii) information disclosed in the announcement published by the Company and the Board Letter

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

in the Circular; (iv) the valuation of the total issued shares of CTSPI as at 31 December 2021 (the “**Equity Valuation**”); (v) the valuation of the total value of properties held of CTSPI as at 30 June 2022 (the “**Property Valuation Report**”) and (vi) discussed with the management of the Group, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also 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 advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors’ representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Proposed Subscription. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made any independent evaluation or appraisal of the assets and liabilities of CTSPI Group, and we have not been furnished with any such evaluation or appraisal, save as and except for the Equity Valuation and Property Valuation Report. The Equity Valuation and Property Valuation Report were prepared by an independent valuer, namely, Cushman & Wakefield Limited (the “**Valuer**” or “**C&W**”). Since we are not experts in the valuation of assets or business, we have relied solely upon the Equity Valuation and Property Valuation Report for the appraised value of the owners’ equity attributable to CTSPI Group as at 31 December 2021 and the property valuation of the properties owned by CTSPI Group as at 30 June 2022.

The Directors jointly and severally 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, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any statement contained in the Circular, including this letter, incorrect or misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, CTSPI Group, CTS (Holdings) or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Proposed Subscription. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm

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our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Messis Capital Limited to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have considered the following principal factors and reasons set out below:

1. Background information of the Group

1.1 Principal business of the Group

With reference to the Board Letter, 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.

1.2 Historical financial performance of the Group

Set out below is a summary of the key financial information of the Group as extracted from the 2021 Annual Report for each of the years ended 31 December 2020 and 2021 (“FY2020” and “FY2021”):

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Comparison between FY2020 and FY2021

The Group recorded revenue of approximately HK\$3,648 million for FY2021, representing an increase of approximately 85% as compared to approximately HK\$1,967 million for FY2020. This can mainly be attributed to the subsidence of COVID-19, which resulted in an increase in overall revenue from the Group's tourist attraction and hotel operations.

For FY2021, the Group recorded a profit before taxation of HK\$15 million, while in FY2020, the loss before taxation amounted to HK\$742 million. The Group's loss from operation amounted to HK\$73 million in FY2021, representing a decrease in loss of 83% as compared to FY2020. Due to the revenue of approximately HK\$1,300 million from the sale of real estate from China Travel Hong Kong (Zhuhai) Ocean Spring Co., Ltd., a gain of approximately HK\$216 million from the completion of disposal of travel business, and the change in fair value of investment properties from a loss of HK\$183 million in FY2020 to a gain of HK\$36 million in the FY2021, the Group recorded a profit attributable to shareholders of HK\$174 million, while in the FY2020, loss attributable to shareholders amounted to HK\$391 million.

The Group's financial position remained stable. As of 31 December 2021, total assets were HK\$25,808 million, representing a 2% increase compared with the 31 December 2020. Equity attributable to shareholders was HK\$17,334 million, representing a 7% increase compared with 31 December 2020. Cash and bank balances, wealth management products and certain loan receivables amounted to HK\$3,341 million, representing an 9% decrease compared with 31 December 2020. After deducting HK\$613 million in loans from the holding company, bank loans and other borrowings, net cash amounted to HK\$2,461 million, representing a decrease of 21% compared with 31 December 2020.

1.3 Information of the CTSPI

CTSPI is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date. CTSPI, together with its subsidiaries, are 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.

CTSPI was incorporated in Hong Kong on 10 June 1954 with registered capital of HK\$100,001,000. As at the Latest Practicable Date, 100% of equity interests in CTSPI were held by the Company.

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Key financial information of CTSPI Group for the two years ended 31 December 2021 are set out below:

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

The audited net asset value of CTSPI Group as at 31 December 2021 was approximately HK\$2,600 million.

With reference to the Board Letter, CTSPI Group recorded significant decrease in loss before taxation and extraordinary items for the year ended 31 December 2021 as compared to the loss of HK\$204.9 million for the year ended 31 December 2020. CTSPI's profit after taxation and extraordinary items amounted to HK\$13.7 million for the year ended 31 December 2021, while CTSPI recorded a loss after taxation and extraordinary items of HK\$212.6 million for the year ended 31 December 2020.

As at 30 April 2022, CTSPI's total equity attributable to owners amounted to approximately HK\$2,743.1 million.

1.4 Information of the CTS (Holdings)

CTS (Holdings) is a company incorporated in Hong Kong with limited liability. It is principally engaged in travel business and real estate development. As at the Latest Practicable Date, 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 National Travel Service Group Corporation Limited, 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.

2. Reasons for and benefits of the Capital Increase

As set out in the 2021 Annual Report, 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. With reference to the Board Letter, 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 (the "**Hung Hom Hotel Development Project**"). 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.

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As advised by the Directors, the Hung Hom Hotel Development Project will be targeting mid-to-high-end market, which aimed at generating higher income and accessing to wider range of customers, such development project is in line with the strategies of the Group. We understood from the Directors that Hung Hom Hotel Development Project is expected to be completed in or around the end of 2023, with a total capital expenditure of approximately HK\$1,191 million. As per the 2021 Annual Report, the demolition of the warehouse facility in the land parcel was completed in December 2020, which means the land parcel will be held idle if no redevelopment plan is to be launched, therefore, we are of the view that it is fair and reasonable for CTSPI and the Group to kick start and commit capital in the Hung Hom Hotel Development Project as soon as possible. We have obtained and reviewed the audited account of CTSPI for the year ended 31 December 2021. As at 31 December 2021, the cash and cash equivalent of CTSPI amounted to approximately HK\$11.58 million. It is unlikely that CTSPI would have sufficient resources to fulfil the capital requirement for the Hung Hom Hotel Development Project without external financing. Therefore, the Management are of the view, which we concur, that through the Proposed Subscription, the cash flow of CTSPI will be increased, which is beneficial to the CTSPI and the Group.

We understand that the Directors have exercised due and careful consideration when choosing the optimal financing method available to the Group. Our analysis on other financing alternatives are as follows:

- a. debt financing shall inevitably impose interest payment obligations on the Group and it may be subject to lengthy due diligence process including but not limited to background checks, credit evaluations, assessments on repayment ability and detailed review of the Group's financial position, which may include time-consuming and burdensome documentation preparation procedures, as well as negotiations on the terms (e.g. the type, the size of the finance, whether any pledge of securities or collateral should be included, as well as the interest rate and the length of the repayment period) with banks or financial institutions before entering into any loan agreements. For due diligence purpose, we have enquired three commercial banks on an unnamed basis, we noted from the commercial banks that in order to approve the project financing of a hotel's construction loan, a series of procedures including but not limited to the negotiation of the structure of financing, project feasibility evaluation, cash flow projection, assessment on debt to equity level, formal loan application, negotiation on pledge of assets and the loan document execution, which approximately takes three to five months considering that the information and documents are ready. It is also not guaranteed that the finance application will be approved. We also noted that the Group has a current gearing ratio of 0.044, while if the Group is to adopt debt financing to obtain the same amount of proceeds from the Proposed Subscription (HK\$468,000,000), the gearing ratio of the Group will increase to 0.066. The Proposed Subscription would not increase the interest expenses burden of the Group and would not impact on the Group's gearing position. We are of the view that debt financing would incur interest expenses and therefore increase the financial burden of CTSPI and the Group;

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- b. under the prevailing market conditions, especially amid current market volatility brought by COVID-19, there may be huge uncertainty in the outcome of fund raising through equity financing (including placing of new Shares, rights issue and open offer). Further, placing or rights issue or open offer of new Shares will have immediate dilution effect on the shareholding interests of the non-participating Shareholders. If the Company were to raise the necessary funds by way of placing or rights issue or open offer of new Shares, the subscription price would have to be set at a deeper discount to the prevailing market price of the Shares so as to attract subscription by the potential investors or Shareholders. As such, we have reviewed 61 rights issue transactions and 6 open offer transactions announced by other companies listed on the Stock Exchange (except those terminated or lapsed) since 1 January 2021, 57 out of the 61 rights issue transactions and 6 out of 6 open offer transactions had set the subscription price of their rights issue/open offer at a discount to their respective closing prices on the last trading day. In respect of equity fund-raising by way of rights issue and open offer to all Shareholders or placement to independent investors, it would involve a more lengthy and uncertain time frame of preparation work and negotiation of terms, as well as uncertainty of identifying suitable underwriter(s) and the incurrences of underwriting expenses. We have enquired three underwriters regarding the time required to complete rights issue or open offer transactions, we are given to understand that the time required to complete rights issue or open offer transactions ranged from 3 months to 9 months, subject to the deal structure. Moreover, independent investors generally do not prefer investing in an unlisted subsidiary of the Company like CTSPI and in the case of subscription of listed Shares, they generally require discount to market price of the Shares which would also lead to bigger dilution to public shareholders of the Company. In contrast, fund-raising by way of the Proposed Subscription enables the Group (and especially the CTSPI Group) to obtain financial support from its controlling Shareholder for its development, without putting financial burden on public Shareholders nor diluting the shareholding of public shareholders; and
- c. it is expected that CTSPI and/or the Group will need to further make use of the Group's internal resources and/or further debt or equity financing to complete the Hung Hom Hotel Development Project. We are given to understand that the Directors would continue to exercise due and careful consideration when choosing the optimal financing method available to the Group when additional capital is required. As mentioned above, assessment on financial position and debt to equity level are common procedures to be undergone before obtaining any debt financing. Individual investors will also assess the Group's financial position when deciding whether to participate any pre-emptive equity financing, therefore, we are of the view that the Proposed Subscription will mitigate the capital shortfall for the CTSPI and the Group, as well as improve the gearing ratio and debt to equity level of the Group and therefore put the Group in a better position in negotiations for further fund raising activities in the future.

Further, with reference to the 2021 Annual Report, the Group is cautious about development prospects of the business growth and will continue to monitor the COVID-19 situation while evaluating the potential risks and impact on finances and operations. As

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advised by the Management, the Proposed Subscription not only reflected the support to the Group from CTS (Holdings), but also reduced the risk of the Group under the unstable economic environment by lowering the capital requirement from CTSPI. 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. The Group will therefore still be able to benefit from the contribution from the CTSPI's business.

Taking into consideration that (i) the Proposed Subscription will contribute to the cash flow of CTSPI to meet the requirement for the Hung Hom Hotel Development Project; (ii) other financing alternatives are not the most effective means to fulfil the capital requirement; (iii) strengthen the financial position of the Group and therefore put the Group in a better position in negotiation for further fund raising activities in the future; and (iv) upon Completion, the dilution of the Company's shareholding in CTSPI is mild and is less than 10%, the Group's risk will be reduced while continue to benefit from the contribution from CTSPI's business. We concur with the Directors that the Proposed Subscription is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

3. Major terms of the Proposed Subscription

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 Consideration.

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 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.

Evaluation of the basis of the Subscription Amount

According to the Letter from the Board, 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 the equity

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valuation of CTSPI as at 31 December 2021. According to the Equity Valuation, 100% of equity of CTSPI was valued at approximately HK\$4,352,000,000, accordingly, the Subscription Amount of RMB400,000,000 (equivalent to approximately HK\$468,000,000) amounts to approximately 9.71% of shareholding interest in CTSPI on a post-money basis.

We have reviewed the Equity Valuation and held an interview with C&W, the Independent Valuer regarding the methodologies adopted for and the bases and assumptions used.

For the valuation of the equity value of the CTSPI Group as at 31 December 2021, the Independent Valuer has adopted the asset-based approach. As the assets of the CTSPI Group consist substantially of properties, the asset-based approach is considered to be the most appropriate methodology in the valuation. Under the asset-based approach, the market value of the assets (including the property interest) and the liabilities of the CTSPI Group have been considered, and a valuation on the property interests held by the CTSPI Group was conducted to arrive at the adjusted net asset value of the CTSPI Group. In the valuation of the equity value of the CTSPI Group, the Independent Valuer has assumed that there (i) will be no major change in the political, legal, economic, financial conditions, taxation laws in the localities in which CTSPI Group operates or intends to operate; (ii) the interest rates and exchange rates in the localities for the operation of CTSPI Group will not differ materially from those then prevailing; (iii) the core business operation of CTSPI Group will not change materially; and (iv) the information regarding CTSPI Group provided by its management is true and accurate. The Independent Valuer has also conducted property valuation of the CTSPI Group as at 31 December 2021 and the results of which have been taken into account when they prepared the equity valuation of the CTSPI Group as at 31 December 2021. The property valuation of the CTSPI Group was subsequently updated to a valuation date of 30 April 2022 prior to the entering into of the Subscription Agreement and further updated to a valuation date of 30 June 2022 to comply with rule 5.07 of the Listing Rules.

The unaudited consolidated net asset value of the CTSPI Group as at 30 April 2022 was approximately HK\$2,738,000,000 and the valuation surplus was approximately HK\$1,519,660,975 (based on the property valuation as at 30 April 2022 available to the Board prior to the entering into of the Subscription Agreement) should all the properties of the CTSPI Group were recorded at market valuation, bringing the adjusted unaudited consolidated net asset value of the CTSPI Group to approximately HK\$4,257,660,975, which is also not materially different from the equity valuation of CTSPI of HK\$4,352,000,000 as aforementioned.

From our review of the Equity Valuation and as per our discussion with C&W, they have considered three generally accepted approaches to obtain the market value of the entire shareholders' equity in CTSPI Group in performing the Equity Valuation, namely the market approach, the income approach and the asset-based approach. During our discussion with C&W, we understand that the selection of valuation approach is based on, among others, the quantity and quality of information provided, availability of relevant market transactions, type and nature of subject assets, operation status of the valuation subject entity and professional judgement. We have further enquired C&W of the factors considered in selecting the valuation methodology. After considering each of the three approaches, C&W considered that: (i) the market approach is not appropriate due to the lack of sufficient

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

suitable direct market comparables; (ii) the income approach is not appropriate as CTSPI only generated operating net profit of minimal amount or incurred net loss in previous years which may cast doubt on CTSPI Group's ability to continue as a going concern while significant judgement will be exerted for the estimation of revenue and costs for income approach, which further increases the inherent uncertainties and risks in any projections derived for the purpose of the income approach; and (iii) given that the market approach and the income approach are not appropriate, the asset-based approach is the most appropriate valuation methodology as the major assets owned by CTSPI are non-current assets which include, among others, properties held for their own use and properties held for investment and the asset-based approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. Such asset-intensive nature of CTSPI makes it appropriate to adopt the asset-based approach. In order to ascertain the approach taken by C&W, we have tried to search for comparable market transactions of sales of real estate investment holding company in Hong Kong for the past 12 month through the HKEXnews Website and Bloomberg database, however, we are unable to identify any comparable transactions for listed companies and no comparable transactions of private companies are identified, we have not extended our search scope as we consider comparability will be affected if the above criterion are not met. From our review of the audited financial statements for the year ended 31 December 2021 of CTSPI, the amount of fixed assets accounted for more than 80% and 75% of the non-current assets and total assets of CTSPI, which is consistent with the understanding of C&W that the major assets owned by CTSPI are fixed assets.

The assumption of asset-based approach is that when each element of: (i) working capital; (ii) tangible; and (iii) intangible assets is individually valued, the gross amount represents the value of a business entity and equals to the value of its invested capital. In particular, the entire equity value of the valuation subject entity is arrived at by first summing up the appraised values of each component of the assets owned by it and then deducting the appraised values of its liabilities. Therefore, the asset-based approach values each item of the subject entity's asset and liability with the end product being the appraised net asset value of the subject entity.

In view of the above, in particular: (i) CTSPI only generated operating net profit of minimal amount or incurred net loss in previous years and the doubt on CTSPI's ability to continue as a going concern make it inappropriate to adopt the income approach; (ii) the lack of sufficient comparable transactions makes it inappropriate to adopt the market approach; and (iii) the asset-intensive nature of CTSPI makes it appropriate to adopt the asset-based approach, we concur with the Valuer that the asset-based approach is the most appropriate method for valuing the entire shareholders' equity in CTSPI.

As advised by C&W, another property valuation as at 31 December 2021 was performed and C&W have made reference to the appraised value as at 31 December 2021 in the Equity Valuation. We have therefore obtained and reviewed the property valuation as at 31 December 2021, it is noted that the methodologies and assumptions of the property valuation as at 31 December 2021 are similar to the Property Valuation Report. We also observed that except for the property under development (the Hung Hom Hotel Development Project), the appraised values of all the properties are the same as the Property Valuation Report. The value of the property under development has increased from HK\$1,250,000,000

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as at 31 December 2021 to HK\$1,320,000,000 as at 30 June 2022, which represents an increase of 1.66% in the aggregate total value of the properties appraised due to more construction costs are incurred. We consider the valuation as at 31 December 2021 is not materially different from the Equity Valuation and the Property Valuation Report. We are of the view that the fairness and reasonableness of the property valuation as at 31 December 2021 is also justified based on our work done in section headed “4. Assessment of the Property Valuation” below.

We have also enquired into the qualification and experience of C&W, Please refer to the section headed “Suitability of the Independent Valuer” below for our assessment on the qualification and experience of C&W. From the information provided by C&W, we are satisfied with (i) the steps and due diligence measures taken by C&W for conducting the equity valuation of CTSPI; (ii) the scope of services provided under the engagement of C&W is appropriate to the opinion given; and (iii) as confirmed by C&W during our enquiry, there were no limitations on their scope of work. C&W confirms that the equity valuation has been prepared in accordance with the standards for asset appraisal. We have not found any material facts which may lead us to doubt the principal bases and assumptions adopted for or the information used in arriving the equity valuation. As such, we are of the view that using the 100% equity value of CTSPI as a basis to determine the Subscription Amount is fair and reasonable.

Based on the above, as well as the business strategy of the Company, the business plan and capital requirement of the CTSPI Group in connection with the Hung Hom Development Project as described under the section headed “Reasons for and benefits of the Proposed Subscription”, the Directors are of the view and we concur that the Proposed Subscription determined at RMB400,000,000 (equivalent to approximately HK\$468,000,000) for a 9.71% interest in CTSPI to be fair and reasonable.

4. Assessment of the Property Valuation

To assess the fairness and reasonableness of the price of the Proposed Subscription (being RMB400,000,000 (equivalent to approximately HK\$468,000,000)) as at the date of the Subscription Agreement), we have obtained and reviewed the (i) the property valuation as at 30 April 2022, being the latest valuation available to the Board prior to the entering into of the Subscription Agreement; and the Property Valuation Report as at 30 June 2022 (the “**Valuation Date**”). We noted that the appraised value as at 30 April 2022 was HK\$4,286,400,000 and the appraised value as at 30 June 2022 was HK\$4,296,400,000. We are of the view that the difference in the appraised values between the two valuation dates only accounted for 0.23% and therefore is not material. The analysis below will be based on the latest available valuation.

Suitability of the Independent Valuer

The properties held by CTSPI Group was valued by Cushman & Wakefield (above defined as “**C&W**”), an independent valuer appointed by the Company. It is understood that C&W is an independent professional valuer and is experienced in providing advice on real estate equity and debt decisions relating to acquisition, disposition, financing, litigation, and financial reporting. The Independent Valuer has participated in the valuation exercise for

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more than 270 initial public offering projects and various mergers and acquisitions related valuations for companies listed on the Stock Exchange. During the course of our review on the Property Valuation Report, we have complied with the requirements under Rule 13.80(2)(b) Note 1(d) of the Listing Rules. In particular, we have enquired and C&W has confirmed its independence from the Group and other parties to the Transactions. In addition to our discussion with C&W on its firm's experience and expertise, we have obtained its relevant qualification certificate and credentials. Based on our interview with C&W, we understand that C&W is certified with the relevant professional qualifications required to perform the valuations. Ms. Grace Lam, who is in-charge of the valuation process, is a member of The Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors with over 30 years of experience in the professional property valuation and advisory services in the PRC, Hong Kong and other overseas countries. We also have reviewed C&W's terms of engagement and discussed with C&W regarding its work performed in connection with the valuations. Based on the above, we are satisfied that C&W is qualified for giving their opinion as set out in the Property Valuation Report taking into account their relevant experience and expertise, their independence and their scope of work and valuation procedures conducted.

Valuation Methodology of the Property Valuation Report

According to the Property Valuation Report, the valuation of each of the properties represents its market value which in accordance with the HKIS Valuation Standards 2020 issued by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

C&W has adopted both investment method and market comparison method in valuing each of the completed properties held by the Group for investment and owner occupation in Hong Kong and Macau. For the under development hotel in Hong Kong, C&W has firstly used market comparison method to assess the market value as if completed (the gross development value) of the property which represents their opinion of the market value of the proposed development assuming it were fully completed at the Valuation Date, then taking into account the development costs incurred and the costs that will be incurred to complete the proposed development (such method is commonly used in conducting valuation of property under development). In valuing the property which is a completed hotel currently under operation in Macau, C&W has adopted mainly the market comparison method by making reference to comparable sales transactions as available in the market. As advised by C&W, the valuation approach and valuation methods are commonly adopted for valuation of properties and are also consistent with normal market practice.

In the Property Valuation Report, the properties being appraised are classified into six different groups: (i) first group as properties held by CTSPI Group for investment in Hong Kong ("**Group I**"); (ii) second group as properties held by the CTSPI Group for owner-occupation in Hong Kong ("**Group II**"); (iii) third group as property held by the CTSPI Group under development in Hong Kong ("**Group III**"); (iv) fourth group as property held by CTSPI Group for investment in Macau ("**Group IV**"); (v) fifth group as

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properties held by the CTSPI Group for owner-occupation in Macau (“**Group V**”) and (vi) sixth group as hotel property held by CTSPI Group currently under operation in Macau (“**Group VI**”).

We are given to understand that in valuing each of Property Nos. 1 to 26 in Group I which are properties held by the Group for investment in Hong Kong, Property Nos. 27 and 28 in Group II which are properties held by the Group for owner-occupation in Hong Kong, Property No. 30 in Group IV which is property held by the Group for investment in Macau and Property Nos. 31 and 32 in Group V which are properties held by the Group for owner-occupation in Macau, both investment method and market comparison method are adopted. It is noted from C&W that the adoption of two valuation methods is not uncommon when both sales and rental comparables are available in market. Such practice is acceptable in the industry as it has taken into account views and considerations by different market players such as investors and end-users. The valuation results derived thereby are more in-depth and comprehensive. The valuation results of the two valuation methods of each property are close and consistent and the average results of the two valuations are taken as the market value of each of the properties. We are of the view that investment method is suitable for valuing properties under leasing as it is designed to assess the potential return on investment through ongoing income from a property, while the market comparison approach is also a commonly used valuation method in mature market like Hong Kong, as it is generally considered that the best evidence of value is the price paid for similar properties. Given that both Hong Kong and Macau have mature and transparent property market and that there already exist sufficient samples of comparable premises/properties available for analysis, we are of the view that these comparable premises/properties provide good and objective benchmarks for the valuation of the properties. We have also reviewed the HKIS Valuation Standards 2020 and noted that it is in line with the valuation standards to reaching a conclusion of value by using more than one valuation approach. Accordingly, we are of the view that due to the availability of rental and sales comparables, the appraised values will be more accurate with the use of both investment and market comparison methods as the final appraised values are weighted average values and the results derived from each method are consistent and have no material differences.

For Property No. 29 in Group III, which is a property held by the CTSPI Group under development in Hong Kong, C&W has assumed all relevant statutory and/or mandatory permissions, permits, approvals and licences which are necessary for hotel operation are properly in place. It is noted that C&W has firstly used market comparison method to assess the market value as if completed (the gross development value) of the property, which represents C&W’s opinion of the market value of the proposed development assuming it were fully completed at the Valuation Date. As the proposed development involves hotel, C&W have made reference to sales transactions of hotels available in the market whereby the comparables were mainly transactions registered in the Land Registry in the past year from the Valuation Date, subject to appropriate adjustments including but not limited to location, size, time of transaction, building age and building quality between the subject property and the hotel comparables. For the adjustments made to the valuation of Property No. 29 in Group III, we have reviewed the adjustments mechanism and noted that in arriving the gross development value of Property No. 29, Property No. 29 is more inferior than the hotel sales comparables in view and location, however more superior than the hotel sales comparables in size and facilities, adjustments are also made according to the age of

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the buildings respectively. We have also made reference to other valuation reports published on the HKEXNews website by other listed companies, and noted that the adjustment factors for property under development adopted by C&W are commonly adopted, therefore, we are of the view that the adjustments are fair and reasonable as it considered the major factors affecting the value of a hotel property. C&W then arrives at the valuation of the property after taking into account allowing for the costs that will be incurred to complete the proposed development. As Property No. 29 in Group III is still under development, we concur with C&W's view that investment method is not an appropriate method in appraising the value. We have reviewed the HKIS Guidance Notes on Valuation of Development Land and the RICS guidance note – Valuation of development property and noted from both guidance notes that in the case of the valuation of development property, it is common that valuations are undertaken by using market comparison method to assess the gross development value and then deducting the cost incurred/to be incurred in order to derive the valuation. We are of the view that the approach taken by C&W in valuing Property No. 29 in Group III fair and reasonable. In assessing the fairness of the valuation of Property No. 29 in Group III, we have obtained and reviewed the three comparable hotel sales transactions of the same type of use within the subject building and / or in the nearby locality transacted within one year from the Valuation Date. The comparable properties have been selected by considering the characteristics of each individual subject property in terms of location, size, floor level, building age and building quality etc.. We have also conducted our independent desktop search on comparable hotel sales transactions, however, we are unable to identify other comparable transactions in Kowloon with the gross area of over 100,000 sq. ft.. We consider that the selection criteria of hotel sales comparables adopted by C&W fair and reasonable as it considered the major factors affecting the hotel value and the hotel sales comparables were transacted within one year from the Valuation Date which we consider that the comparables are up to date and meaningful. For our further assessment on the comparables selection criteria adopted by C&W, please refer to the last paragraph of this section below. Accordingly, we considered that the selection of the comparable hotels used in the valuation of Property No. 29 in Group III are fair and reasonable.

In valuing the Property No. 33 in Group VI which is a completed hotel currently operating by the Group in Macau, C&W has assumed all relevant statutory and/or mandatory permissions, permits, approvals and licences which are necessary for hotel operation in Macau are properly in place. In undertaking their valuation, C&W has mainly used market comparison method by making reference to comparable sales transactions as available in the market. It is noted that C&W has made reference to one sale transaction of hotel of similar calibre available in the market whereby the comparable was made known from public disclosure of a listed company within five years from the Valuation Date. We are given to understand that this is the most accepted valuation method and is in line with market practice. In assessing the fairness of the approach adopted by C&W, we noted that both investment method and market comparison method are the most common method used in valuating hotel properties. We have obtained the management account of CTSPI Group and noted that Group VI property is a hotel operating by the subsidiary of CTSPI Group, while the subsidiary has recorded net loss for the four months ended 30 April 2022. We are of the view that given the decline in tourism market in Macau in recent years due to the COVID-19 pandemic and the related travel restrictions and the doubt on the hotel's ability to continue as a going concern make it less appropriate to adopt the investment method. Therefore, we are of the view that the adoption of market comparison method is fair and

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reasonable. In assessing the fairness of the valuation of Property No. 33 in Group VI, we have obtained and reviewed the comparable hotel sale transaction, we noted that there is only one comparable hotel sale transaction and therefore conducted our independent research on hotel sale transactions, we are unable to identify another hotel sales transaction within the five years from the Valuation Date. We understand from C&W that sales activity of hotel in Macau is rare and transaction is limited and therefore the criteria of identifying hotel sales comparable is then extended to five years. We are of the view that the hotel sales comparable was transacted five years from the Valuation Date, which may slightly affect the referential importance of the comparable, however, considering the limited availability of hotel sales comparable, we considered that the selection of the comparable hotels used in the valuation of Property No. 33 in Group VI is fair and reasonable. For our further assessment on the comparables selection criteria adopted by C&W, please refer to the last paragraph of this section below.

Regarding the valuation methods mentioned above, investment method is used by capitalising the rental incomes derived from the existing tenancies with due provision for any reversionary income potential of the properties. We are given to understand that it is a commonly acceptable and adopted method for rental income generating properties when rental comparables transactions are available in the market. It is noted that in deriving the market rent for each of the properties which C&W has adopted in investment method, C&W has each made reference to two to four rental comparables of the same type of use within the subject building and/or in the nearby locality transacted within one year from the Valuation Date. C&W has compared the characteristics of each rental comparables with the characteristics of each individual subject property in terms of location, size, floor level, building age and building quality etc.. Selected comparables for each property are similar in nature and have unit rates within close range. We have reviewed samples of rental comparable premises/properties selected by C&W. It is noted from C&W that rental comparables are selected by criteria of, including but not limited to, location, size, time of transaction, building age, building quality, and other relevant factors between the subject properties and the comparable properties. For due diligence purpose, we have reviewed the rental comparable samples and confirmed that the chosen rental comparable premises/properties are located in the same districts of the properties appraised with similar conditions and facilities as the properties appraised. We consider that the selection criteria of rental comparables adopted by C&W fair and reasonable as it considered the major factors affecting the rates as mentioned in the guidelines on rateable value published on the official website of the Rating and Valuation Department of the Hong Kong SAR, including size, location, facilities, standard of finish and management, and the rental comparables were transacted within one year from the Valuation Date which we consider that the comparables are up to date and meaningful. We have also conducted sample desktop research on each group of properties which investment method was adopted, searches for comparable rental transactions on public domain and property leasing platforms, however, not limited to the transactions in the Land Registry, are performed with the criteria of (i) same district as the subject property; (ii) same property nature; (iii) similar floor level; and (iv) transaction date within one year from the Valuation Date, we are able to identify other rental comparables and the rates and unit rent are within the range of the rental comparables selected by C&W. We therefore consider the selection criteria adopted by C&W fair and reasonable.

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Where capitalisation rate is required, the capitalisation rates adopted in the valuations are based on C&W's analyses of the market yields. Capitalisation rates are estimated by reference to the yields generally expected by the market for comparable properties of the same type of use, which implicitly reflect the type and quality of the properties, the expectation of the potential future rental growth, capital appreciation and relevant risk factors. In deriving the capitalization rate of the properties, C&W has for each case gathered at least two comparables, subject to availability, the number of comparables may be increased to three, in the nearby locality or same district and transacted within one year from the Valuation Date and analysed various recent sales and rental transactions of office, commercial and residential properties. We have conducted our independent research and made references to the range of capitalisation rate for investment properties or retail properties in specific adopted by the constituents of Heng Seng Index – Properties, which are all land developers listed in Hong Kong by reviewing their respective annual reports of the latest financial year. Details are as below:

Stock code	Company Name	Capitalisation rate (%)	Type of capitalisation rate disclosed
12	Henderson Land Development Company Limited	2.75-6	Hong Kong retail properties
16	Sun Hung Kai Properties Limited	5.1	Hong Kong investment properties
17	New World Development Company Limited	1.5-5.2	Hong Kong Commercial Properties
101	Hang Lung Properties Limited	No disclosure	N/A
688	China Overseas Land & Investment Limited	No disclosure	N/A
823	Link Real Estate Investment Trust	3.1-4.5	Hong Kong investment properties
960	Longfor Group Holdings Limited	No disclosure	N/A
1109	China Resources Land Limited	3.0-7.8	Hong Kong retail properties
1113	CK Asset Holdings Limited	4-8	Hong Kong investment properties
1997	Wharf Real Estate Investment Company Limited	5.2	Hong Kong retail properties
2003	Country Garden Holdings Company Limited	2.5-6.5	Investment properties
6098	Country Garden Services Holdings Company Limited	No disclosure	N/A

Among the 12 constituents of the Heng Seng Index – Properties, 8 land developers have disclosed the referencing range of capitalisation rates for investment properties or retail properties, which ranged from 1.5% - 7.8%. We consider the above table representative and exhaustive to the best of our knowledge as it includes all the constituents of the Heng Seng Index – Properties. We noted that the capitalisation rate adopted by C&W is in line with the range of capitalisation rates adopted by the land developers in Hong Kong. Accordingly, we agree with C&W that the investment method was appropriate for the valuation of the properties. In assessing the fairness of the valuation of the properties appraised by investment method.

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For the properties appraised by market comparison method, in valuing those properties which C&W has adopted market comparison method, C&W has, for each case made reference to two to five sales comparables, subject to availability of comparables identified in public domain and C&W's own database, of the same type of use within the subject building and/or in the nearby locality transacted within one year from the Valuation Date. C&W has compared the characteristics of each comparables with the characteristics of each individual subject property in terms of location, size, time of transaction, floor level, building age and building quality etc.. Selected comparables for each property are similar in nature and have unit rates within close range. It is noted from the Property Valuation Report that the market unit price of commercial units (ground floor) adopted by C&W in the valuation has a price range from HK\$15,000 to HK\$98,000 per sq.ft. on saleable area basis. We have enquired C&W regarding the such broad range of price and we are given to understand that as the subject properties are different in terms of location, size, floor level, building age and building quality etc., the lower end of the unit price range is referring to a comparable that C&W used for the property that locates in an inconvenient and quiet location with low pedestrian flow in the New Territories, while the higher end of the unit price range is referring to a comparable that C&W used for the property that locates in a prime location with heavy pedestrian flow in Central Business District. We have reviewed samples of workings of the valuation and considered that the values of properties were reasonably adjusted depending on the actual specifications of the property appraised. We consider that the selection criteria of sales comparables adopted by C&W fair and reasonable as it considered the major factors affecting the sale price and the sales comparables were transacted within one year from the Valuation Date which we consider that the comparables are up to date and meaningful. We have also reviewed samples of comparable premises/properties adopted by C&W. It is noted from C&W that market comparables are selected by criteria of, including but not limited to, location, size, time of transaction, building age, building quality, and other relevant factors between the subject properties and the comparable properties. For due diligence purpose, we have reviewed the comparable samples and confirmed that the chosen comparable premises/properties are located in the same districts of the properties appraised with similar conditions and facilities as the properties appraised. We have also conducted desktop sample research on each group of properties which market comparison method was adopted, searches for comparable sale transactions on public domain and property sales platforms, however, not limited to the transactions in the Land Registry, are performed with the criteria of (i) same district as the subject property; (ii) same property nature; (iii) similar floor level; and (iv) transaction date within one year from the Valuation Date, except for Group III and Group VI, we are able to identify other sales comparables and the transaction prices are within the range of the sales comparables selected by C&W. We therefore consider the selection criteria adopted by C&W fair and reasonable. As confirmed by C&W, these comparable premises/properties represent an exhaustive list to the best of their knowledge.

Accordingly, we considered that the selection and the selection criteria of the comparable premises/properties used in the valuation with market comparison method are fair and reasonable. We have further cross checked the values of the properties being appraised and the relevant value of the sales comparables and we conclude that the values of the properties being appraised fall within the range of the values of the sales comparables.

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Valuation Assumptions

As advised by C&W, the comparables selected are relevant, representative and exhaustive from these perspectives. However, due to the heterogeneous nature of real estate properties, adjustments are still necessary on a micro level. In arriving at the key assumptions of each property, the major factors of comparison in this property portfolio include location, size, building age, building quality and maintenance standard, floor level and frontage which are discussed hereinafter. The key principle is that the unit rates of the comparables are adjusted to bring the comparables to the same status as the subject property. If the comparable is superior to the subject property, downward adjustment is made to reflect the inferiority of the subject property. By the same token, if the comparable is inferior to the subject property, upward adjustment is made to reflect the superiority of the subject property. If the comparable and the subject property is similar, no adjustment is necessary.

Location – Location on a more micro-level means different extent of ease of accessibility, pedestrian flow, catchment/customer base and so on. Properties located in closer proximity to mass public transport enjoy more convenience as travel time can be saved and are more appealing to commuters thus implying heavier pedestrian flow. Heavier pedestrian flow is beneficial to retail properties. Proximity to mass public transport is an advantage to a property rendering it superior to other properties of relatively poor location. If the comparable is situated in a better location than the subject property, downward adjustment is applied to reflect the inferior location characteristics and vice versa.

Size – Properties of larger size usually commands lower unit rate as the lumpsum involved is bigger and thus less affordable. If the comparable is larger than the subject property, upward adjustment is applied to reflect the higher marketability and affordability of the subject property, and vice versa.

Building age – If the building is younger, the market value is higher and vice versa. If the building of the comparable is younger than the subject property, downward adjustment is made to reflect the older age of the subject property and vice versa. This factor is more sensitive in residential and office properties whilst least sensitive for retail properties.

Building quality – If the building quality and property maintenance condition are good, market value will be higher and vice versa. If the building quality of the comparable is higher than the subject property, downward adjustment is made to the subject property to reflect the inferior quality of the subject property.

Floor level – For residential and office properties, view of high zone is usually more open and better than low zone, thus commanding higher value (in particular when seaview is available). To the contrary, high street shops command higher value than upper floors as visibility, accessibility and pedestrian flow usually decrease when going up from ground floor or going down to basements without extra connection to other properties or transport. Directions of adjustments differ between high street shops and properties of other use type.

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Frontage – High street shops enjoying wider frontage has greater exposure to attract pedestrian flow thus fetching higher value, whilst shorter frontage fetches less. If the comparable has a wider frontage with more exposure to the street than the subject property, downward adjustment is made to the subject property to reflect the weaker attraction ability of the subject property.

All the above factors are considered in equal weighting in the course of C&W's valuation. Adjustments are made in each property. After considering the above adjustments, an adjusted unit rate is concluded. The final adopted unit rate of each property is the average of the adjusted unit rate of the identified comparables.

In order to assess the fairness of the adjustment mechanism adopted by C&W, we have made reference to the HKIS Valuation Standards 2020 issued by the Hong Kong Institute of Surveyors, it is noted that (i) it is a key step in valuation to make adjustments to the valuation metrics to reflect differences between the subject asset and the comparable assets; and (ii) common differences that could warrant adjustments include but not limited to material characteristics such as building age, size, specifications and geographical location. We have also made reference to the guidelines on rateable value published on the official website of the Rating and Valuation Department of the Hong Kong SAR, it is noted that in assessing the value of a property, reference will be made to similar properties in locality, while making adjustments to reflect any difference in size, location, facilities, standard of finish and management. Furthermore, we have reviewed the samples of workings of C&W for each group of properties being appraised, it is noted that the adjustments are made with reference to characteristics and specifications of each property and the reason of adjustments are documented in details. We are of the view that the adjustment mechanism adopted by C&W are in line with the standard and the adjustments are made reasonably, therefore the adjustment mechanism is fair and reasonable.

With respect to the general assumptions adopted in the Property Valuation Report, we noted that the valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser. In the Property Valuation Report, it was also assumed that no allowance has been made in the valuation for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Based on our discussion with and understanding from C&W, their valuation approach has been consistent and complied with all the requirements pursuant to, among others, the HKIS Valuation Standards 2020 issued by the Hong Kong Institute of Surveyors. On such basis coupled with our past experience, we concur with C&W's view that the valuation methodologies adopted are common approaches and normal market practices in the C&W's profession for determining the market value of properties in Hong Kong and Macau given the availability of the market comparables, and that the underlying basis for valuation is fair and reasonable. During the course of our discussions with C&W, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis

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and assumptions adopted for the Property Valuation Report. Given that we consider it objective and appropriate to appraise the properties the same way as other similar properties on the open market, and that nothing material has come to our attention, we are of the view that these valuation assumptions are fair and reasonable.

Having considered the above, we are of the view that the principal basis, valuation methods and assumptions adopted for the property valuation are fair, reasonable and complete and hence the reliability of the Property Valuation Report.

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 been occurred to CTSPI from the date of the Subscription Agreement to the date prior to the Completion Date;
- (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.

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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.

As at the Latest Practicable Date, the conditions precedent did not fulfil.

Completion

Completion is expected to take place on the Completion Date.

The shareholding structure of the ordinary shares in CTSPI ^(Note 1) (i) as at the Latest Practicable Date; and (ii) immediately upon Completion is set out below:

Shareholder	As at the Latest Practicable Date		Immediately upon Completion	
	No. of shares	Approximate %	No. of shares	Approximate %
Company ^(Note2)	10,000	100	10,000	90.29
CTS (Holdings)	—	—	1,075	9.71
	<u>10,000</u>	<u>100</u>	<u>11,075</u>	<u>100</u>

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 shares in CTSPI are indirectly held by the Company through its wholly-owned subsidiaries or nominee.

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;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (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.

Financial impact of the Proposed Subscription to the Company

As at the Latest Practicable Date, 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 was pre-funded by CTS (Holdings) to CTSPI in January 2022 which was recorded as current accounts payable by CTSPI to CTS (Holdings) and has been used to fund the costs of the Hung Hom Hotel Development Project, Hong Kong. Pursuant to the Subscription Agreement, the Subscription Amount shall be a settlement of the Current Accounts Payable in substance at Completion.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Capital Increase.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the terms of the Subscription Agreement are fair and reasonable and the Proposed Subscription is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Thomas Lai
Chief Executive Officer

Mr. Thomas Lai is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Mesis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 27 years of experience in corporate finance industry.

The following is the full text of a letter, summary of valuations and valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent qualified property valuer, in connection with the valuation of the properties of the CTSPI Group as at 30 June 2022. Unless otherwise defined, terms used in this Appendix shall have the same meanings as those set out in this circular.



27/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

13 September 2022

The Directors
China Travel International Investment Hong Kong Limited
12/F, CTS House
78-83 Connaught Road Central
Central
Hong Kong

Dear Sirs,

Re: Portfolio Valuation

INSTRUCTION

We refer to the instruction from China Travel International Investment Hong Kong Limited (the “**Company**”) for us to value the properties in Hong Kong and Macau in which the Company and/or its subsidiaries (together the “**Group**”) have interests. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of the properties as at 30 June 2022 (the “**Valuation Date**”).

BASIS OF VALUATION

Our valuation of each of the properties represents its market value which in accordance with the HKIS Valuation Standards 2020 issued by the Hong Kong Institute of Surveyors is defined as “the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We confirm that our valuations comply with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited published by The Stock Exchange of Hong Kong Limited, and the HKIS Valuation Standards 2020 issued by the Hong Kong Institute of Surveyors.

VALUATION ASSUMPTIONS

Our valuations exclude estimated prices inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

METHOD OF VALUATION

In valuing each of Property Nos. 1 to 26 in Group I which are properties held by the Group for investment in Hong Kong, Property Nos. 27 and 28 in Group II which are properties held by the Group for owner-occupation in Hong Kong, Property No. 30 in Group IV which is property held by the Group for investment in Macau, and Property Nos. 31 and 32 in Group V which are properties held by the Group for owner-occupation in Macau, we have adopted both Investment Method and Market Comparison Method. The adoption of two valuation methods is not uncommon when both sales and rental comparables are available in market. Such practice is acceptable in the industry as it takes into account views and considerations by different market players such as investors and end-users. The valuation results derived thereby are more in-depth and comprehensive. The valuation results of the two valuation methods of each property are close and consistent and the average results of the two valuations are taken as the market value of each of the properties.

Property No. 29 in Group III in Hong Kong and Property No. 33 in Group VI in Macau involve hotel properties, we have assumed all relevant statutory and/or mandatory permissions, permits, approvals and licences which are necessary for hotel operation are properly in place. In undertaking our valuations, we have mainly used Market Comparison Method by making reference to comparable sale transaction of hotel of similar calibre available in the respective market. In addition, Property No. 29 in Group III, a property held by the Group under development, has been valued on the basis that it will be developed and completed in accordance with the latest development proposals provided to us by the Group. We have valued on the basis that all consents, approvals, and licences from relevant government authorities for the development proposal have been obtained without onerous conditions or delays. In arriving at our valuation, we have further allowed for the costs that will be incurred to complete the proposed development. The above method is commonly used in conducting valuation of property under development.

Market Comparison Method is universally considered the most accepted assessment method for assessing the market value/market rent (as the case may be) of most forms of real estate. This involves the analysis of recent market sale/rental evidences of similar properties in the same subject building and/or in the nearby locality to compare with the subject property under assessment. Each comparable is analysed on the basis of its unit price

(HK\$ per sq.ft.) or its unit rent (HK\$ per sq.ft. per month); each attribute of the comparable is then compared with the subject property and where there is a difference, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject property.

Investment Method is used by capitalising the rental incomes derived from the existing tenancies with due provision for any reversionary potential of the subject property at an appropriate capitalisation rate. It is a commonly acceptable and adopted method for rental income generating properties when rental comparables transactions are available in the market. In determining the market rent, we have mainly made reference to lettings within the subject property as well as other relevant comparable rental evidences of properties of similar use type subject to appropriate adjustments. The capitalisation rate is based on analyses of the yields of properties of similar use type after due adjustments. Such capitalisation rate is estimated by reference to the yields generally expected by the market for comparable properties of similar use type, which implicitly reflect the type and quality of the property, the expectation of the potential future rental growth, capital appreciation and relevant risk factors.

Where Market Comparison Method is considered, we firstly identified appropriate sales comparables. Except for the hotel properties, all sale comparables of each respective use type that we have identified are located in the same district within one year prior to the valuation date from public domain such as registered sales transactions in the Land Registry, public disclosure of listed companies, as well as our inhouse database. Sales activity of hotel properties is rare and transaction is limited. When only a few were encountered, we went further back in other districts or in older periods. For Property No. 33 in Group VI which is a completed hotel currently operated by the Group in Macau, we have made reference to sales transactions from public domain within five years prior to the valuation date. We have for each case, subject to availability, identified two to five relevant sales comparables and compared the characteristics of each comparable and the respective subject property in terms of location, size, time of transaction, floor level, building age and building quality etc.. The identified comparables for each subject property are similar in nature and command unit rates within close range.

Having regard to the above, the unit prices (before adjustments) of comparables being considered for the entire property portfolio are summarised below. Regarding the properties in Hong Kong, the unit price of comparable properties (before adjustments) ranges from about HK\$14,000 to HK\$29,000 per sq.ft. for office units; about HK\$7,700 to HK\$19,000 per sq.ft. for commercial units (upper floors); about HK\$15,000 to HK\$98,000 per sq.ft. for commercial units (ground floor) (The lower end of the unit price range refers to a comparable located in an inconvenient and quiet location with low pedestrian flow in the New Territories. The higher end of the unit price range refers to a comparable located in a prime location with heavy pedestrian flow in Central Business District.); about HK\$11,000 to HK\$22,000 per sq.ft. for residential units; and about HK\$11,000 to HK\$13,000 per sq.ft. for hotel. Regarding the properties in Macau, the unit price of the comparable properties (before adjustments) ranges from HK\$7,000 to HK\$9,000 per sq.ft. for residential units; about HK\$7,000 per sq.ft. for hotel, and HK\$1,400,000 to HK\$1,500,000 per lot for car parking lots.

Where Investment Method is considered, we firstly identified appropriate rental comparables. All rental comparables of each respective use type that we have identified are located in the same subject building and/or the nearby locality transacted within one year prior to the valuation date from public domain as well as our inhouse database. We have for each case, subject to availability, identified two to four relevant rental comparables and compared the characteristics of each comparable and the respective subject property in terms of location, size, floor level, building age and building quality etc.. The identified comparables for each subject property are similar in nature and command unit rates within close range.

Having regard to the above, the unit monthly rents (before adjustments) of comparables being considered for the entire property portfolio are summarised below. Regarding the properties in Hong Kong, the unit rent of comparable properties (before adjustments) ranges from about HK\$32 to HK\$57 per sq.ft. for office units; about HK\$22 to HK\$41 per sq.ft. for commercial units (upper floors); about HK\$51 to HK\$223 per sq.ft. for commercial units (ground floor); and about HK\$26 to HK\$37 per sq.ft. for residential units. In respect of properties in Macau, the unit rent of the comparables properties (before adjustments) ranges from about HK\$12 to HK\$15 per sq.ft. for residential units and about HK\$2,300 to HK\$2,800 per lot for car parking lots.

Where capitalisation rate is required, we firstly identified appropriate yield comparables for each use type. All yield comparables of each respective use type that we have identified are located in the nearby locality and transacted within one year prior to the valuation date from public domain as well as our inhouse database. We have for each case, subject to availability, identified two to three comparables in the nearby locality and transacted within one year from the Valuation Date and analysed various recent sales and rental transactions of office, commercial and residential properties.

The yields implied in those transactions are generally within the range from about 2.7% to 3% for office premises, from about 2% to 4% for commercial premises and from about 2% to 3.1% for residential premises in Hong Kong. Regarding properties in Macau, the yields implied in those transactions are within the range from about 1.2% to 2% for residential premises and from about 2% to 2.2% for car parking lots.

As the comparables and the respective subject properties are of the same use type, within the nearby locality and transacted within one year (except within five years for Property No. 33 which is a hotel in Macau due to scarcity), prior to the Valuation Date, the comparables are relevant, representative and exhaustive from these perspectives. However, due to the heterogeneous nature of real estate properties, adjustments are still necessary on a micro level. The major factors of comparison in this property portfolio include location, size, building age, building quality and maintenance standard, floor level and frontage which are discussed hereinafter. The key principle is that the unit rates of the comparables are adjusted to bring the comparables to the same status as the subject property. If the comparable is superior to the subject property, downward adjustment is made to reflect the inferiority of the subject property. By the same token, if the comparable is inferior to the subject property, upward adjustment is made to reflect the superiority of the subject property. If the comparable and the subject property is similar, no adjustment is necessary.

Location – Location on a more micro-level means different extent of ease of accessibility, pedestrian flow, catchment/customer base and so on. Properties located in closer proximity to mass public transport enjoy more convenience as travel time can be saved and are more appealing to commuters thus implying heavier pedestrian flow. Heavier pedestrian flow is beneficial to retail properties. Proximity to mass public transport is an advantage to a property rendering it superior to other properties of relatively poor location. If the comparable is situated in a better location than the subject property, downward adjustment is applied to reflect the inferior location characteristics and vice versa.

Size – Properties of larger size usually commands lower unit rate as the lumpsum involved is bigger and thus less affordable. If the comparable is larger than the subject property, upward adjustment is applied to reflect the higher marketability and affordability of the subject property, and vice versa.

Building age – If the building is younger, the market value is higher and vice versa. If the building of the comparable is younger than the subject property, downward adjustment is made to reflect the older age of the subject property and vice versa. This factor is more sensitive in residential and office properties whilst least sensitive for retail properties.

Building quality – If the building quality and property maintenance condition are good, market value will be higher and vice versa. If the building quality of the comparable is higher than the subject property, downward adjustment is made to the subject property to reflect the inferior quality of the subject property.

Floor level – For residential and office properties, view of high zone is usually more open and better than low zone, thus commanding higher value (in particular when seaview is available). To the contrary, high street shops command higher value than upper floors as visibility, accessibility and pedestrian flow usually decrease when going up from ground floor or going down to basements without extra connection to other properties or transport. Directions of adjustments differ between high street shops and properties of other use type.

Frontage – High street shops enjoying wider frontage has greater exposure to attract pedestrian flow thus fetching higher value, whilst shorter frontage fetches less. If the comparable has a wider frontage with more exposure to the street than the subject property, downward adjustment is made to the subject property to reflect the weaker attraction ability of the subject property.

All the above factors are considered in equal weighting in the course of our valuation. Adjustments are made in each property. After considering the above adjustments, an adjusted unit rate is concluded. The final adopted unit rate of each property is the average of the adjusted unit rate of the identified comparables.

Having regard to the above market comparable analysis and adjustments of the various aspects, the unit market price, unit market rent and capitalisation rate after adjustment are reasonable and the parameters adopted in our valuations are summarised below:

(a) Hong Kong Properties

Market unit price for

- (i) Office: HK\$15,000 – HK\$23,000 per sq.ft. on saleable area basis
- (ii) (a) Commercial (Ground floor): HK\$20,000 – HK\$83,000 per sq.ft. on saleable area basis
- (b) Commercial (Upper floors): HK\$8,000 – HK\$18,000 per sq.ft. on saleable area basis
- (iii) Residential: HK\$12,000 – HK\$20,000 per sq.ft. on saleable area basis
- (iv) Hotel: HK\$12,000 per sq. ft. on gross floor area basis (on completion basis)
- (v) Land: HK\$5,700 per sq.ft. (accommodation value)

Monthly Market unit rent for

- (i) Office: HK\$38 – HK\$54 per sq.ft. on saleable area basis
- (ii) Commercial: HK\$21 – HK\$163 per sq.ft. on saleable area basis
- (iii) Residential: HK\$27 – HK\$37 per sq.ft. on saleable area basis

Capitalisation rate for

- (i) Office: 2.75% – 3.0%
- (ii) Commercial: 2.5% – 3.5%
- (iii) Residential: 2.1% – 2.75%

(b) Macau Properties

Market unit price for

- (i) Residential: HK\$7,200 – HK\$8,000 per sq.ft. on saleable area basis
- (ii) Car parking spaces: HK\$1,300,000 per lot
- (iii) Hotel: HK\$4,000 per sq.ft. on gross floor area basis

Monthly Market unit rent for

- (i) Residential: HK\$11 – HK\$13 per sq.ft. on saleable area basis
- (ii) Car parking spaces: HK\$2,300 per lot

Capitalization rate for

- (i) Residential: 1.85%
- (ii) Car parking spaces: 2.125%

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, identification of properties, particulars of occupancy, floor areas and all other relevant matters. Dimensions and measurements are based on the copies of documents or other information provided to us by the Group and are therefore only approximations. We have not carried out on-site measurements to verify the correctness of the area of each of the properties.

TITLE INVESTIGATION

We have not been provided with copies of the title documents relating to the properties but have caused searches to be made at the Land Registry. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

SITE INSPECTION

Our valuers, Angelina Kwok (MRICS, MHKIS, RPS(GP) with over 15 years of valuation experience), Terrence Lai (holder of Bachelor degree in Property Management with 5 years of valuation experience), Ross Chan (holder of Bachelor degree in Property Management with 5 years of valuation experience), Kasey Lam (holder of Bachelor degree in Business Administration (Hotel and Tourism Management) with 3 years of valuation experience) and Nicola Leung (holder of Master degree in Real Estate with 3 years of valuation experience) inspected the exterior of the properties in Hong Kong between 11 April 2022 and 29 April 2022. Regarding the properties in Macau, as there is outbreak of COVID-19 and the Macau Government has imposed travel restrictions, we cannot carry out on-site inspection of the properties in Macau. In the course of our valuation, we have assumed that the conditions of the properties in Macau are kept in reasonable condition. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services.

CONFIRMATION OF INDEPENDENCE

We hereby confirm that Cushman & Wakefield Limited and the undersigned have no pecuniary or other interests that could conflict with the proper valuations of the properties or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

MARKET VOLATILITY

The outbreak of the Novel Coronavirus (COVID-19) has brought high volatility to global financial markets and uncertainty to the property market. It is expected that property values will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of a property will be longer than normal. There will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Our valuation of the property is valid only at the Valuation Date and any subsequent changes in market conditions as well as the resulting impacts on property values after the Valuation Date cannot be taken into account. If any party intends to make reference to our valuation when entering into any transaction, he must bear in mind the high market volatility during this period of time and that the property value may or may not have changed since the Valuation Date.

EXCHANGE RATE

Unless otherwise stated, all property values are determined in Hong Kong Dollars. The exchange rate used in our valuations is HK\$1 to MOP1.03 which is the prevailing exchange rate as at the Valuation Date.

REPORT

We enclose herewith a summary of valuations and our valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Grace Lam
MRICS, MHKIS, RPS(GP)
Senior Director
Valuation & Advisory Services, Greater China

Note: Grace Lam has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. She has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuations competently.

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 30 June 2022
Group I – Properties held by the Group for investment in Hong Kong	
1. Shop A on Ground Floor with Cockloft, Lai Sing Mansion, Nos. 77-81 Tsuen Nam Road, Tai Wai, Shatin, New Territories	HK\$45,000,000
2. Shop Nos. 36, 37 and Portion of Shop No. 46 on Ground Floor, Yue Man Centre, Nos. 300 & 302 Ngau Tau Kok Road, Kwun Tong, Kowloon	HK\$44,200,000
3. Portion of Shop No. 46 on Ground Floor, Yue Man Centre, Nos. 300 & 302 Ngau Tau Kok Road, Kwun Tong, Kowloon	HK\$39,600,000
4. Unit No. 4 on Ground Floor, Abba Centre, Nos. 223-227 Aberdeen Main Road, Aberdeen, Hong Kong	HK\$18,800,000
5. Shop No. 3 on Ground Floor, Hong Wah Mansion, No. 18 Nam Hong Street, Shau Kei Wan, Hong Kong	HK\$35,000,000
6. Shop 2 on Ground Floor including the Yard thereof, Sui Cheong House, Nos. 269-273 Cheung Sha Wan Road, Shamshuipo, Kowloon	HK\$55,500,000

		Market value in existing state as at 30 June 2022
7.	21st Floor, V. Heun Building, No. 138 Queen's Road Central, Central, Hong Kong	HK\$54,500,000
8.	Shop B on the Ground Floor and the Whole First Floor with its Flat Roof (with its Entrance Hall, Staircase, Landings, Passages therein, Lavatories on the Ground Floor and the First Floor, and Flat Roof on the First Floor), Maid Shine Court, No. 428 Ma Tau Wai Road, Tokwawan, Kowloon	HK\$39,900,000
9.	Shop Nos. 1 with yard and 2 on Ground Floor, Kar Fu Building, Nos. 196-202 Java Road, North Point, Hong Kong	HK\$41,000,000
10.	Lower Ground Floor and Ground Floor, China Travel Building, No. 77 Queen's Road Central, Central, Hong Kong	HK\$147,900,000
11.	5th Floor, China Travel Building, No. 77 Queen's Road Central, Central, Hong Kong	HK\$22,400,000
12.	1st and 2nd Floors, China Travel Building, No. 77 Queen's Road Central, Hong Kong	HK\$43,300,000
13.	6th to 12th Floors, China Travel Building, No. 77 Queen's Road Central, Hong Kong	HK\$161,800,000

	Market value in existing state as at 30 June 2022
14. Shops 4 and 5 on Ground Floor and their respective Cockloft, Kam Chung House, Nos. 126 & 130/138 Kwong Fuk Road, Nos. 43/49 Kwong Fuk Square, Nos. 105/107 Wan Tau Street, Tai Po, New Territories	HK\$53,000,000
15. Flat A on 15th Floor of Block 15, No. 49 Wharf Road, Provident Centre, North Point, Hong Kong	HK\$20,800,000
16. Flat E on the 25th Floor, Fullview Court, No. 32 Fortress Hill Road, North Point, Hong Kong	HK\$17,800,000
17. Shop No.1 on Ground Floor, Southorn Centre, No. 138 Hennessy Road, Wanchai, Hong Kong	HK\$132,500,000
18. Shop No. 35 on Ground Floor, Yue Man Centre, Nos. 300 & 302 Ngau Tau Kok Road, Kwun Tong, Kowloon	HK\$17,600,000
19. Unit B on Ground Floor, Shatin Fun City, No. 7 Lek Yuen Street, Shatin, New Territories	HK\$61,500,000
20. Shop No. 5 on Ground Floor and whole of 1st Floor, Tak Bo Building, No. 62 Sai Yee Street, Kowloon	HK\$235,000,000

	Market value in existing state as at 30 June 2022
21. Whole of 2nd Floor, Tak Bo Building, No. 74 Sai Yee Street, Mongkok, Kowloon	HK\$160,000,000
22. The Whole of 1st Floor, Alpha House, Nos. 27-33 Nathan Road, Tsimshatsui, Kowloon	HK\$97,000,000
23. Flat D on 11th Floor, Alpha House, Nos. 27-33 Nathan Road, Tsimshatsui, Kowloon	HK\$9,800,000
24. Ground Floor and Lower Ground Floor, Park Tsuen Commercial Building, No. 189 Castle Peak Road Tsuen Wan, Tsuen Wan, New Territories	HK\$76,700,000
25. Portion A on 1st Floor, Kar Wah Building, Nos. 11-17 Castle Peak Road San Hui, Tuen Mun, New Territories	HK\$34,800,000
26. Shop 4 on Ground Floor, Nan Tin Mansion, No. 37 Kau Yuk Road, Yuen Long, New Territories	HK\$42,000,000

Sub-total of Group I: HK\$1,707,400,000

Property	Market value in existing state as at 30 June 2022
Group II – Properties held by the Group for owner-occupation in Hong Kong	
27. 4th Floor, China Travel Building, No. 77 Queen’s Road Central, Central, Hong Kong	HK\$22,600,000
28. 3rd Floor, China Travel Building, No. 77 Queen’s Road Central, Central, Hong Kong	HK\$22,400,000

Sub-total of Group II:	HK\$45,000,000
Group III – Property held by the Group under development in Hong Kong	
29. No. 1 Cheong Tung Road, Hung Hom, Kowloon	HK\$1,320,000,000

Sub-total of Group III:	HK\$1,320,000,000
Group IV – Property held by the Group for investment in Macau	
30. Car Parks on 3rd Floor, Marina Plaza, 174 Rua de Xangai, Macau	HK\$52,000,000

Sub-total of Group IV:	HK\$52,000,000

Property	Market value in existing state as at 30 June 2022
Group V – Properties held by the Group for owner-occupation in Macau	
31. Flats A, B and H on 14th Floor, Marina Plaza, 182 Rua de Xangai, Macau	HK\$18,000,000
32. Flats A to H on 3rd Floor and Flats A to H on 4th Floor, Block 2, Edificio Nam San, 320A-362G Estrada Governador Albanode Oliveira, Taipa, Macau	HK\$114,000,000

Sub-total of Group V:	HK\$132,000,000
Group VI – Property held and operated by the Group in Macau	
33. Metropark Hotel Macau, 191A-205D Rua de Pequim and 707E-707H Alameda Dr. Carlos D’Assumpcao, Macau	HK\$1,040,000,000

Sub-total of Group VI:	HK\$1,040,000,000
Aggregate total of Group I to Group VI:	HK\$4,296,400,000

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
1. Shop A on Ground Floor with Cockloft, Lai Sing Mansion, Nos. 77-81 Tsuen Nam Road, Tai Wai, Shatin, New Territories	The property comprises a shop unit on the ground floor with its cockloft of a 7-storey (including cockloft) composite building completed in 1983.	As at the Valuation Date, the property was subject to a tenancy for a term of 3 years from 18 April 2020 to 17 April 2023 at a monthly rent of HK\$100,000, inclusive of rates, Government rent and management fee.	HK\$45,000,000 (HONG KONG DOLLARS FORTY FIVE MILLION)
2/18th shares of and in Sha Tin Town Lot No. 145	The property has a saleable area of approximately 915 sq.ft. (85.01 sq.m.). In addition, the area of cockloft is approximately 553 sq.ft. (51.37 sq.m.) and area of yard is approximately 30 sq.ft. (2.79 sq.m.). The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages. The property is held from the Government under New Grant No. 11507 for a term of 99 years from 1 July 1898 and was statutorily extended to 30 June 2047. The current Government rent payable of the property is equal to an amount of 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for “Residential (Group A)” use under Sha Tin Outline Zoning Plan No. S/ST/35.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
2. Shop Nos. 36, 37 and Portion of Shop No. 46 on Ground Floor, Yue Man Centre, Nos. 300 & 302 Ngau Tau Kok Road, Kwun Tong, Kowloon	The property comprises 2 shops together with a portion of shop on the ground floor of Yue Man Centre which comprises three 26-storey residential buildings erected over a 2-storey commercial podium completed in 1987.	As at the Valuation Date, the property was subject to a tenancy for a term of 3 years from 27 July 2020 to 26 July 2023 at a monthly rent of HK\$72,500, inclusive of rates, Government rent and management fee.	HK\$44,200,000 (HONG KONG DOLLARS FORTY FOUR MILLION AND TWO HUNDRED THOUSAND)
31/5328th and portion of 71/5328th shares of and in Kun Tong Inland Lot No. 115	<p>The property has a total saleable area of approximately 962 sq.ft. (89.37 sq.m.).</p> <p>The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under a Government Lease for a term of 21 years commencing from 1 July 1955 and renewed for a further term of 21 years which has been statutorily extended to 30 June 2047. The current Government rent payable of the property is equal to an amount of 3% of the rateable value for the time being of the property per annum.</p>		

Notes:

- (1) The registered owner of Shop Nos. 36, 37 and 46 is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for “Residential (Group A)” use under Kwun Tong (South) Outline Zoning Plan No. S/K14S/24.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
3. Portion of Shop No. 46 on Ground Floor, Yue Man Centre, Nos. 300 & 302 Ngau Tau Kok Road, Kwun Tong, Kowloon	The property comprises a portion of shop on the ground floor of Yue Man Centre which comprises three 26-storey residential buildings erected over a 2-storey commercial podium completed in 1987.	As at the Valuation Date, the property was subject to a tenancy for a term of 2 years from 25 July 2021 to 24 July 2023 at a monthly rent of HK\$155,100, inclusive of rates, Government rent and management fee.	HK\$39,600,000 (HONG KONG DOLLARS THIRTY NINE MILLION AND SIX HUNDRED THOUSAND)
Portion of 71/5328th shares of and in Kun Tong Inland Lot No. 115	The property has a saleable area of approximately 634 sq.ft. (58.90 sq.m.). The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages. The property is held from the Government under a Government Lease for a term of 21 years commencing from 1 July 1955 and renewed for a further term of 21 years which has been statutorily extended to 30 June 2047. The current Government rent payable of the property is equal to an amount of 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) The registered owner of Shop No. 46 is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for “Residential (Group A)” use under Kwun Tong (South) Outline Zoning Plan No. S/K14S/24.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
4. Unit No. 4 on Ground Floor, Abba Centre, Nos. 223-227 Aberdeen Main Road, Aberdeen, Hong Kong 53/7560th shares of and in Aberdeen Inland Lot No. 403.	<p>The property comprises a shop unit on the ground floor of a composite development completed in 1983.</p> <p>The property has a saleable area of approximately 650 sq.ft. (60.39 sq.m.).</p> <p>The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under Conditions of Sale No. 11386 for a term of 75 years from 29 January 1980 renewable for a further term of 75 years. The current Government rent payable for the lot is HK\$1,000 per annum.</p>	<p>As at the Valuation Date, the property was subject to a tenancy for a term of 2 years from 20 June 2022 to 19 June 2024 at a monthly rent of HK\$36,000, inclusive of rates, Government rent and management fee.</p>	<p>HK\$18,800,000 (HONG KONG DOLLARS EIGHTEEN MILLION AND EIGHT HUNDRED THOUSAND)</p>

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is subject to a Superseding Order No. DBR/RB01-10/0002/12 under s.26 of the Buildings Ordinance issued by the Building Authority vide Memorial No. 16042200630312 dated 19 June 2015 regarding certain building works of the property. In the course of our valuation, we have disregarded any reinstatement costs for compliance of the said order (Re: For interior and common areas (including common staircase) of Block C (now also known as Abba Commercial Building) only).
- (3) The property is zoned for “Residential (Group A)” use under Aberdeen & Ap Lei Chau Outline Zoning Plan No. S/H15/33.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
5. Shop No. 3 on Ground Floor, Hong Wah Mansion, No. 18 Nam Hong Street, Shau Kei Wan, Hong Kong 24/2271st shares of and in Shau Kei Wan Inland Lot No. 797	<p>The property comprises a shop unit on the ground floor of a composite development completed in 1985.</p> <p>The property has a saleable area of approximately 1,940 sq.ft. (180.23 sq.m.).</p> <p>The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under Conditions of Exchange No. 11775 for a term of 75 years from 1 December 1923 renewed for a further term of 75 years. The current Government rent payable for the property is HK\$7,830 per annum.</p>	As at the Valuation Date, the property was subject to a tenancy for a term of 3 years from 1 May 2021 to 30 April 2024 at a monthly rent of HK\$53,240, inclusive of rates, Government rent and management fee.	HK\$35,000,000 (HONG KONG DOLLARS THIRTY FIVE MILLION)

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for “Residential (Group A3)” use under Shau Kei Wan Outline Zoning Plan No. S/H9/18.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
6. Shop 2 on Ground Floor including the Yard thereof, Sui Cheong House, Nos. 269-273 Cheung Sha Wan Road, Shamshuipo, Kowloon	<p>The property comprises a shop on the ground floor and its yard of a 14-storey composite building completed in 1987.</p> <p>The property has a saleable area of approximately 1,282 sq.ft. (119.10 sq.m.). In addition, the area of yard is approximately 27 sq.ft. (2.51 sq.m.).</p> <p>The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under three Government Leases all for a term of 75 years commencing from 1 July 1898 and renewed for a further term of 24 years which has been statutorily extended to 30 June 2047. The current Government rent payable of the property is equal to an amount of 3% of the rateable value for the time being of the property per annum.</p>	As at the Valuation Date, the property was subject to a tenancy for a term of 3 years from 5 April 2020 to 4 April 2023 at a monthly rent of HK\$135,000, inclusive of rates, Government rent and management fee.	HK\$55,500,000 (HONG KONG DOLLARS FIFTY FIVE MILLION AND FIVE HUNDRED THOUSAND)
7/52nd shares of and in the Remaining Portions of New Kowloon Inland Lot Nos. 1659, 1660 and 1661			

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is subject to an Order No. UBR/RB07-02/0002/12 issued by the Building Authority under section 24(1) of the Buildings Ordinance vide Memorial No. 14040300880278 dated 9 October 2013 regarding certain structures attached to the shop-front on the external wall facing Cheung Sha Wan Road and on and over the yard at the rear. In the course of our valuation, we have not taken into account any reinstatement costs for compliance with the said Order.
- (3) The property is zoned for “Residential (Group A)” use under Cheung Sha Wan Outline Zoning Plan No. S/K5/38.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022																										
7. 21st Floor, V. Heun Building, No. 138 Queen's Road Central, Central, Hong Kong	<p>The property comprises the whole office space of the 21st floor of a 24-storey (including basement) commercial building completed in 1982.</p> <p>The property has a saleable area of approximately 2,310 sq.ft. (214.60 sq.m.). In addition, the area of lavatories is approximately 176 sq.ft. (16.35 sq.m.).</p> <p>The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under 3 Government Leases for terms as follows:–</p> <table border="1"> <thead> <tr> <th>Lot</th> <th>Term</th> </tr> </thead> <tbody> <tr> <td>IL 161 s.A R.P.</td> <td>999 years from</td> </tr> <tr> <td>IL 161 s.B R.P.</td> <td>26 June 1843</td> </tr> <tr> <td>IL 161 R.P.</td> <td></td> </tr> <tr> <td>IL 165 s.C R.P.</td> <td>999 years from</td> </tr> <tr> <td>IL 165 s.D R.P.</td> <td>5 November 1844</td> </tr> <tr> <td>IL 165 s.E R.P.</td> <td></td> </tr> <tr> <td>IL 165 R.P.</td> <td></td> </tr> <tr> <td>IL 167 s.A</td> <td>999 years from 31 August 1844</td> </tr> </tbody> </table> <p>The current Government rents payable for the respective lots are as follows:–</p> <table border="1"> <thead> <tr> <th>Lot</th> <th>Government rent per annum</th> </tr> </thead> <tbody> <tr> <td>IL 161</td> <td>\$11 pounds 10s. 2D.</td> </tr> <tr> <td>IL 165 s.C, s.D s.E and R.P.</td> <td>HK\$90</td> </tr> <tr> <td>IL 167 s.A</td> <td>HK\$20</td> </tr> </tbody> </table>	Lot	Term	IL 161 s.A R.P.	999 years from	IL 161 s.B R.P.	26 June 1843	IL 161 R.P.		IL 165 s.C R.P.	999 years from	IL 165 s.D R.P.	5 November 1844	IL 165 s.E R.P.		IL 165 R.P.		IL 167 s.A	999 years from 31 August 1844	Lot	Government rent per annum	IL 161	\$11 pounds 10s. 2D.	IL 165 s.C, s.D s.E and R.P.	HK\$90	IL 167 s.A	HK\$20	As at the Valuation Date, the property was subject to a tenancy for a term of 2 years from 1 January 2021 to 31 December 2022 at a monthly rent of HK\$100,000, inclusive of rates, Government rent and management fee.	HK\$54,500,000 (HONG KONG DOLLARS FIFTY FOUR MILLION AND FIVE HUNDRED THOUSAND)
Lot	Term																												
IL 161 s.A R.P.	999 years from																												
IL 161 s.B R.P.	26 June 1843																												
IL 161 R.P.																													
IL 165 s.C R.P.	999 years from																												
IL 165 s.D R.P.	5 November 1844																												
IL 165 s.E R.P.																													
IL 165 R.P.																													
IL 167 s.A	999 years from 31 August 1844																												
Lot	Government rent per annum																												
IL 161	\$11 pounds 10s. 2D.																												
IL 165 s.C, s.D s.E and R.P.	HK\$90																												
IL 167 s.A	HK\$20																												

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for "Commercial" use under Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/34.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
8. Shop B on the Ground Floor and the Whole First Floor with its Flat Roof (with its Entrance Hall, Staircase, Landings, Passages therein, Lavatories on the Ground Floor and the First Floor, and Flat Roof on the First Floor), Maid Shine Court, No. 428 Ma Tau Wai Road, Tokwawan, Kowloon	<p>The property comprises a shop on the ground floor and the whole 1st floor together with its flat roof of a 12-storey composite building completed in 1994.</p> <p>The property has a saleable area of approximately 2,851 sq.ft. (264.86 sq.m.). In addition, the area of flat roof on 1st floor is approximately 107 sq.ft. (9.94 sq.m.).</p>	As at the Valuation Date, the property was subject to a tenancy for a term of 3 years from 16 March 2020 to 15 March 2023 at a monthly rent of HK\$70,000, inclusive of rates, Government rent and management fee.	HK\$39,900,000 (HONG KONG DOLLARS THIRTY NINE MILLION, NINE HUNDRED THOUSAND)
16/115th shares of and in Kowloon Inland Lot Nos. 6364, 7378 and 7379	<p>The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under three Government Leases all for a term of 75 years commencing from 7 November 1952 and renewed for a further term of 75 years. The total Government rent payable for the lots is HK\$120 per annum.</p>		

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for “Residential (Group A)” use under Ma Tau Kok Outline Zoning Plan No. S/K10/28.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
9. Shop Nos. 1 with yard and 2 on Ground Floor, Kar Fu Building, Nos. 196-202 Java Road, North Point, Hong Kong	The property comprises two shop units with a yard on the ground floor of a 24-storey composite building completed in 1984.	As at the Valuation Date, the property was subject to a tenancy for a term of 3 years from 7 September 2021 to 6 September 2024 at a monthly rent of HK\$120,000, inclusive of rates, Government rent and management fee.	HK\$41,000,000 (HONG KONG DOLLARS FORTY ONE MILLION)
355/3480th shares of and in The Remaining Portion of Sections C, D, E and G of Inland Lot No. 5081	The property has a total saleable floor area of approximately 1,342 sq.ft. (124.67 sq.m.). In addition, the area of yard is approximately 132 sq.ft. (12.26 sq.m.). The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages. The property is held from the Government under a Government Lease for a term of 75 years from 8 November 1937 renewed for a further term of 75 years. The total current Government rent payable for the property is HK\$13,500 per annum.		

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for “Commercial/Residential” use under North Point Outline Zoning Plan No. S/H8/26.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
10. Lower Ground Floor and Ground Floor, China Travel Building, No. 77 Queen's Road Central, Central, Hong Kong	The property comprises a shop unit on ground floor and the whole of lower ground floor of a 14-storey (including lower ground floor) commercial building completed in 1973.	As at the Valuation Date, the property was subject to a tenancy for a term of 3 years from 24 December 2021 to 23 December 2024 at a monthly rent of HK\$290,000, inclusive of rates, Government rent and management fee.	HK\$147,900,000 (HONG KONG DOLLARS ONE HUNDRED FORTY SEVEN MILLION AND NINE HUNDRED THOUSAND)
Situated within Section 4 of Inland Lot No. 1622 and the Extension thereto, Section 5 of Inland Lot No. 1622 and the Extension thereto, Sub-section F of Section 6 of Inland Lot No. 1622	The total gross floor area of the property is approximately 3,492 sq.ft. (324.41 sq.m.) and the total saleable area of the property is approximately 2,756 sq.ft. (256.04 sq.m.). The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages. The property is held from the Government under a Government Lease for a term of 999 years from 26 June 1843. The current Government rent payable for the respective lots is HK\$34 per annum.		

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for "Commercial" use under Central District Outline Zoning Plan No. S/H4/17.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
11. 5th Floor, China Travel Building, No. 77 Queen's Road Central, Central, Hong Kong Situating within Section 4 of Inland Lot No. 1622 and the Extension thereto, Section 5 of Inland Lot No. 1622 and the Extension thereto, Sub-section F of Section 6 of Inland Lot No. 1622	<p>The property comprises the whole office space on the 5th floor of a 14-storey (including lower ground floor) commercial building completed in 1973.</p> <p>The gross floor area of the property is approximately 1,671 sq.ft. (155.24 sq.m.) and the saleable area of the property is approximately 1,382 sq.ft. (128.39 sq.m.).</p> <p>The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under a Government Lease for a term of 999 years from 26 June 1843. The current Government rent payable for the respective lots is HK\$34 per annum.</p>	<p>As at the Valuation Date, the property was subject to a tenancy for a term of 3 years from 1 June 2021 to 31 May 2024 at a monthly rent of HK\$36,800, inclusive of rates and Government rent.</p>	<p>HK\$22,400,000 (HONG KONG DOLLARS TWENTY TWO MILLION AND FOUR HUNDRED THOUSAND)</p>

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for "Commercial" use under Central District Outline Zoning Plan No. S/H4/17.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
12. 1st and 2nd Floors, China Travel Building, No. 77 Queen's Road Central, Hong Kong Situating within Section 4 of Inland Lot No. 1622 and the Extension thereto, Section 5 of Inland Lot No. 1622 and the Extension thereto, Sub-section F of Section 6 of Inland Lot No. 1622	<p>The property comprises the whole office space on the 1st and 2nd floors of a 14-storey (including lower ground floor) commercial building completed in 1973.</p> <p>The gross floor area of the property is approximately 3,470 sq.ft. (322.37 sq.m.) and the saleable area of the property is approximately 2,752 sq.ft. (255.67 sq.m.).</p> <p>The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under a Government Lease for a term of 999 years from 26 June 1843. The current Government rent payable for the respective lots is HK\$34 per annum.</p>	As at the Valuation Date, the property was subject to a tenancy for a term of 3 years from 1 June 2021 to 31 May 2024 at a monthly rent of HK\$55,200, inclusive of rates and Government rent.	HK\$43,300,000 (HONG KONG DOLLARS FORTY THREE MILLION AND THREE HUNDRED THOUSAND)

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for "Commercial" use under Central District Outline Zoning Plan No. S/H4/17.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
13. 6th to 12th Floors, China Travel Building, No. 77 Queen's Road Central, Hong Kong Situating within Section 4 of Inland Lot No. 1622 and the Extension thereto, Section 5 of Inland Lot No. 1622 and the Extension thereto, Sub-section F of Section 6 of Inland Lot No. 1622	<p>The property comprises the whole office space on the 6th to 12th floors of a 14-storey (including lower ground floor) commercial building completed in 1973.</p> <p>The total gross floor area of the property is approximately 11,697 sq.ft. (1,086.68 sq.m.) and the total saleable area of the property is approximately 9,674 sq.ft. (898.74 sq.m.).</p> <p>The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under a Government Lease for a term of 999 years from 26 June 1843. The current Government rent payable for the respective lots is HK\$34 per annum.</p>	As at the Valuation Date, the property was subject to a tenancy for a term of 3 years from 1 June 2021 to 31 May 2024 at a monthly rent of HK\$257,600, inclusive of rates and Government rent.	HK\$161,800,000 (HONG KONG DOLLARS ONE HUNDRED SIXTY-ONE MILLION AND EIGHT HUNDRED THOUSAND)

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for "Commercial" use under Central District Outline Zoning Plan No. S/H4/17.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
14. Shops 4 and 5 on Ground Floor and their respective Cockloft, Kam Chung House, Nos. 126 & 130/138 Kwong Fuk Road, Nos. 43/49 Kwong Fuk Square, Nos. 105/107 Wan Tau Street, Tai Po, New Territories	The property comprises two shop units on the ground floor with two cocklofts of 7-storey (including cockloft) composite building completed in 1972.	As at the Valuation Date, the property was subject to a tenancy for a term of 3 years from 1 July 2020 to 30 June 2023 at a monthly rent of HK\$126,500, inclusive of rates, Government rent and management fee.	HK\$53,000,000 (HONG KONG DOLLARS FIFTY-THREE MILLION)
4/62nd shares of and in Lot No. 1776 in Demarcation District No. 6	The property has a total saleable area of 996 sq.ft. (92.53 sq.m.). In addition, the area of cocklofts is approximately 416 sq.ft. (38.65 sq.m.). The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages. The property is held from the Government under New Grant No. 10306 for a term of 99 years from 1 July 1898 and was statutorily extended to 30 June 2047. The current Government rent payable of the property is equal to an amount of 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for “Residential (Group A)” use under Tai Po Outline Zoning Plan No. S/TP/29.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
15. Flat A on 15th Floor of Block 15, No. 49 Wharf Road, Provident Centre, North Point, Hong Kong 10/21165th shares of and in Inland Lot No. 8465	<p>The property comprises a residential unit on the 15th floor of a 26-storey residential building in Provident Centre which is a residential development comprises 17 blocks of residential buildings. The building was completed in 1984.</p> <p>The property has a saleable area of approximately 1,053 sq.ft. (97.83 sq.m.).</p> <p>The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under Government Lease for a term of 75 years and renewable for a further term of 75 years from 5 September 1921. The current government rent payable for the property is HK\$7,470 per annum.</p>	As at the Valuation Date, the property was vacant.	HK\$20,800,000 (HONG KONG DOLLARS TWENTY MILLION AND EIGHT HUNDRED THOUSAND)

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for “Residential (Group A)” use under North Point Outline Zoning Plan No. S/H8/26.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
16. Flat E on the 25th Floor, Fullview Court, No. 32 Fortress Hill Road, North Point, Hong Kong	The property comprises a residential unit on the 25th floor of a 37-storey residential building completed in 1988.	As at the Valuation Date, the property was vacant.	HK\$17,800,000 (HONG KONG DOLLARS SEVENTEEN MILLION AND EIGHT HUNDRED THOUSAND)
10/2870th shares of and in Section B of Inland Lot No. 8209	The property has a saleable area of approximately 865 sq.ft. (80.36 sq.m.). The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages. The property is held from the Government under a Government Lease for a term of 75 years and renewable for a further term of 75 years from 7 May 1951. The current Government rent payable for the property is HK\$1,532 per annum.		

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for “Residential (Group A)” use under North Point Outline Zoning Plan No. S/H8/26.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
17. Shop No.1 on Ground Floor, Southorn Centre, No. 138 Hennessy Road, Wanchai, Hong Kong	The property comprises a shop unit on the ground floor of a 44-storey composite building plus 2 basement floors completed in 1988.	As at the Valuation Date, the property was partitioned into 2 shop units and subject to 2 separate tenancies One of the units is subject to a tenancy for a term of 2 years from 1 September 2020 to 31 August 2022 at a monthly rent of HK\$90,000 and the other unit is subject to another tenancy for a term of 2 years from 1 November 2021 to 31 October 2023 and the current monthly rent is HK\$110,000, both rents are inclusive of rates, Government rent and management fee.	HK\$132,500,000 (HONG KONG DOLLARS ONE HUNDRED THIRTY-TWO MILLION AND FIVE HUNDRED THOUSAND)
233/70500th shares of and in Inland Lot No. 8562	The property has a saleable area of 2,346 sq.ft. (217.95 sq.m.). The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages. The property is held from the Government under Conditions of Grant No. UB11830 for a term of 75 years renewable for 75 years from 23 May 1985. The current Government rent payable for lot is HK\$1,000 per annum.		

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for “Other Specified Uses (Residential cum Commercial Government Offices and Community Facilities)” use under Wan Chai Outline Zoning Plan No. S/H5/29.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
18. Shop No. 35 on Ground Floor, Yue Man Centre, Nos. 300 & 302 Ngau Tau Kok Road, Kwun Tong, Kowloon 21/5328th shares of and in Kun Tong Inland Lot No. 115	<p>The property comprises a shop on the ground floor of Yue Man Centre which comprises three 26-storey residential buildings erected over a 2-storey commercial podium completed in 1987.</p> <p>The property has a saleable area of approximately 268 sq.ft. (24.90 sq.m.).</p> <p>The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under a Government Lease for a term of 21 years commencing from 1 July 1955 and renewed for a further term of 21 years which has been statutorily extended to 30 June 2047. The current Government rent payable of the property is equal to an amount of 3% of the rateable value for the time being of the property per annum.</p>	As at the Valuation Date, the property was subject to a tenancy for a term of 2 years from 1 October 2021 to 30 September 2023 at a monthly rent of HK\$60,000, inclusive of rates, Government rent and management fee.	HK\$17,600,000 (HONG KONG DOLLARS SEVENTEEN MILLION AND SIX HUNDRED THOUSAND)

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for “Residential (Group A)” use under Kwun Tong (South) Outline Zoning Plan No. S/K14S/24.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
19. Unit B on Ground Floor, Shatin Fun City, No. 7 Lek Yuen Street, Shatin, New Territories	The property comprises a shop unit on the ground floor of a 5-storey plus a basement shopping centre completed in 1984.	As at the Valuation Date, the property was subject to a tenancy for a term of 3 years from 1 December 2020 to 30 November 2023 at a monthly rent of HK\$205,000, inclusive of rates, Government rent and management fee.	HK\$61,500,000 (HONG KONG DOLLARS SIXTY ONE MILLION ABD FIVE HUNDRED THOUSAND)
17/270th shares of and in Sha Tin Town Lot No. 19	The property has a saleable area of 3,197 sq.ft. (297.01 sq.m.). The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages. The property is held from the Government under New Grant No. 11754 for a term of 99 years from 1 July 1898 and was statutorily extended to 30 June 2047. The current Government rent payable of the property is equal to an amount of 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for “Residential (Group A)” use under Sha Tin Outline Zoning Plan No. S/ST/35.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022												
20. Shop No. 5 on Ground Floor and whole of 1st Floor, Tak Bo Building, No. 62 Sai Yee Street, Kowloon	The property comprises a retail shop on the ground floor together with the whole of 1st floor commercial space of a 5-level commercial podium upon which two residential blocks are erected. The building was completed in 1979.	As at the Valuation Date, the property was vacant.	HK\$235,000,000 (HONG KONG DOLLARS TWO HUNDRED AND THIRTY FIVE MILLION)												
38/380th shares of and in Section A of Kowloon Inland Lot No. 1571	The saleable areas of the property are as follows:														
	<table border="1"> <thead> <tr> <th>Floor</th> <th>Saleable Area sq.ft.</th> <th>sq.m.</th> </tr> </thead> <tbody> <tr> <td>Ground</td> <td>935</td> <td>86.86</td> </tr> <tr> <td>1st</td> <td>13,865</td> <td>1,288.09</td> </tr> <tr> <td>Total:</td> <td>14,800</td> <td>1,374.95</td> </tr> </tbody> </table>	Floor	Saleable Area sq.ft.	sq.m.	Ground	935	86.86	1st	13,865	1,288.09	Total:	14,800	1,374.95		
Floor	Saleable Area sq.ft.	sq.m.													
Ground	935	86.86													
1st	13,865	1,288.09													
Total:	14,800	1,374.95													
	The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.														
	The property is held from the Government under a Government Lease for a term of 75 years from 24 March 1923 and renewed for a further term of 75 years. The current Government rent payable for the property is HK\$129,600 per annum.														

Notes:

- (1) The registered owner of the property is Tonkin Limited.
- (2) 1st Floor and 2nd Floor of the property are subject to two Notice Nos. WC/TF00233/14/K-T03N and WC/TF00248/14/K-T03N issued by the Building Authority under section 24C(1) of the Buildings Ordinance vide Memorial Nos. 14121201560161 and 14102001230083 both dated 25 June 2014 regarding the staircase erected between 1/F and 2/F of the property. However, in the course of our valuation, we have disregarded the Notices and not taken into account the costs of the remedial works required by the Notices.
- (3) The property is zoned for “Residential (Group A)” use under Mong Kok Outline Zoning Plan No. S/K3/34.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
21. Whole of 2nd Floor, Tak Bo Building, No. 74 Sai Yee Street, Mongkok, Kowloon 30/380th shares of and in Section A of Kowloon Inland Lot No. 1571	<p>The property comprises the commercial space on the whole of 2nd floors of a 5-level commercial podium upon which two residential blocks are erected. The building was completed in 1979.</p> <p>The property has a saleable area of about 13,800 sq.ft. (1,282.05 sq.m.).</p> <p>The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under a Government Lease for a term of 75 years from 24 March 1923 and renewed for a further term of 75 years. The current Government rent payable for the property is HK\$73,440 per annum.</p>	As at the Valuation Date, the property was vacant.	HK\$160,000,000 (HONG KONG DOLLARS ONE HUNDRED AND SIXTY MILLION)

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) 1st Floor and 2nd Floor of the property are subject to two Notice Nos. WC/TF00233/14/K-T03N and WC/TF00248/14/K-T03N issued by the Building Authority under section 24C(1) of the Buildings Ordinance vide Memorial Nos. 14121201560161 and 14102001230083 both dated 25 June 2014 regarding the staircase erected between 1/F and 2/F of the property. However, in the course of our valuation, we have disregarded the Notices and not taken into account the costs of the remedial works required by the Notices.
- (3) The property is zoned for “Residential (Group A)” use under Mong Kok Outline Zoning Plan No. S/ K3/34.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
22. The Whole of 1st Floor, Alpha House, Nos. 27-33 Nathan Road, Tsimshatsui, Kowloon	The property comprises the whole of 1st floor office space of a 20– storey (including a mezzanine floor and a basement) composite building completed in 1964.	As at the Valuation Date, the property was subject to a tenancy for a term of 2 years from 1 June 2021 to 31 May 2023 at a monthly rent of HK\$120,000, inclusive of rates, Government rent and management fee.	HK\$97,000,000 (HONG KONG DOLLARS NINETY SEVEN MILLION)
21/260th shares of and in Kowloon Inland Lot Nos. 7530 and 7604	<p>The property has a saleable area of approximately 6,378 sq.ft. (592.53 sq.m.).</p> <p>The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under Conditions of Renewal Nos. UB6033 and UB6079 for a term of 150 years commencing from 24 June 1889. The current Government rent payable for the property is HK\$72 per annum.</p>		

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for “Commercial” use under Tsim Sha Tsui Outline Zoning Plan No. S/K1/28.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
23. Flat D on 11th Floor, Alpha House, Nos. 27-33 Nathan Road, Tsimshatsui, Kowloon 1/260th shares of and in Kowloon Inland Lot Nos. 7530 and 7604	<p>The property comprises a residential unit on 11th floor of a 20– storey (including a mezzanine floor and a basement) composite building completed in 1964.</p> <p>The property has a saleable area of approximately 823 sq.ft. (76.46 sq.m.).</p> <p>The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under Conditions of Renewal Nos. UB6033 and UB6079 for a term of 150 years commencing from 24 June 1889. The current Government rent payable for the property is HK\$6 per annum.</p>	As at the Valuation Date, the property was subject to a tenancy for a term of 2 years from 1 June 2021 to 31 May 2023 at a monthly rent of HK\$18,300, inclusive of rates, Government rent and management fee.	HK\$9,800,000 (HONG KONG DOLLARS NINE MILLION AND EIGHT HUNDRED THOUSAND)

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for “Commercial” use under Tsim Sha Tsui Outline Zoning Plan No. S/K1/28.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
24. Ground Floor and Lower Ground Floor, Park Tsuen Commercial Building, No. 189 Castle Peak Road – Tsuen Wan, Tsuen Wan, New Territories	The property comprises a shop unit on the ground floor and a shop unit on the lower ground floor of a 11-storey composite building completed in 1981.	As at the Valuation Date, the property was subject to a tenancy for a term of 3 years from 15 October 2021 to 14 October 2024 at a monthly rent of HK\$160,000, inclusive of rates, Government rent and management fee.	HK\$76,700,000 (HONG KONG DOLLARS SEVENTY SIX MILLION AND SEVEN HUNDRED THOUSAND)
17/66th shares of and in Tsuen Wan Town Lot No. 255	The property has a total saleable area of approximately 2,582 sq.ft. (239.87 sq.m.). The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages. The property is held from the Government under New Grant No. 5625 for a term of 99 years from 1 July 1898 which has been statutorily extended until 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for “Residential (Group A)” use under Tsuen Wan Outline Zoning Plan No. S/TW/35.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
25. Portion A on 1st Floor, Kar Wah Building, Nos. 11-17 Castle Peak Road San Hui, Tuen Mun, New Territories	The property comprises a shop unit on the 1st floor of an 18-storey residential building erected over a 2-storey commercial podium with a basement floor completed in 1982.	As at the Valuation Date, the property was subject to a tenancy for a term of 3 years from 24 August 2021 to 23 August 2024 at a monthly rent of HK\$115,000, inclusive of rates, Government rent and management fee.	HK\$34,800,000 (HONG KONG DOLLARS THIRTY FOUR MILLION AND EIGHT HUNDRED THOUSAND)
1/2 of 981/6550th shares of and in Tuen Mun Town Lot No. 168	The saleable area of the property is approximately 4,549 sq.ft. (422.61 sq.m.). The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages. The property is held from the Government under New Grant No. 2304 for a term of 99 years from 1 July 1898 which has been statutorily extended until 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for “Residential (Group A)” use under Tuen Mun Outline Zoning Plan No. S/TM/35.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
26. Shop 4 on Ground Floor, Nan Tin Mansion, No. 37 Kau Yuk Road, Yuen Long, New Territories	The property comprises a shop unit on the ground floor of a 23-storey composite building completed in 1984.	As at the Valuation Date, the property was subject to a tenancy for a term of 2 years from 22 December 2021 to 21 December 2023 at a monthly rent of HK\$100,000, exclusive of rates, Government rent and management fee.	HK\$42,000,000 (HONG KONG DOLLARS FORTY TWO MILLION)
7/305th shares of and in Yuen Long Town Lot No. 70	The property has a saleable area of 991 sq.ft. (92.07 sq.m.). The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages. The property is held from the Government under New Grant No. YL1513 for a term of 99 years from 1 July 1898 and was statutorily extended to 30 June 2047. The current Government rent payable of the property is equal to an amount of 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for “Residential (Group A)” use under Yuen Long Outline Zoning Plan No. S/YL/25.

VALUATION REPORT

Group II – Properties held by the Group for owner-occupation in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
27. 4th Floor, China Travel Building, No. 77 Queen's Road Central, Hong Kong	The property comprises the whole office space on the 4th floor of a 14-storey (including lower ground floor) commercial building completed in 1973.	As at the Valuation Date, the property was occupied by the Group as office.	HK\$22,600,000 (HONG KONG DOLLARS TWENTY TWO MILLION AND SIX HUNDRED THOUSAND)
Situated within Section 4 of Inland Lot No. 1622 and the Extension thereto, Section 5 of Inland Lot No. 1622 and the Extension thereto, Sub-section F of Section 6 of Inland Lot No. 1622	The gross floor area of the property is approximately 1,671 sq.ft. (155.24 sq.m.) and the saleable area of the property is approximately 1,382 sq.ft. (128.39 sq.m.).		
	The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.		
	The property is held from the Government under a Government Lease for a term of 999 years from 26 June 1843. The current Government rent payable for the respective lots is HK\$34 per annum.		

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for "Commercial" use under Central District Outline Zoning Plan No. S/H4/17.

VALUATION REPORT

Group II – Properties held by the Group for owner-occupation in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
28. 3rd Floor, China Travel Building, No. 77 Queen's Road Central, Central, Hong Kong	The property comprises the whole office space on the 3rd floor of a 14-storey (including lower ground floor) commercial building completed in 1973.	As at the Valuation Date, the property was occupied by the Group as office.	HK\$22,400,000 (HONG KONG DOLLARS TWENTY TWO MILLION AND FOUR HUNDRED THOUSAND)
Situated within Section 4 of Inland Lot No. 1622 and the Extension thereto, Section 5 of Inland Lot No. 1622 and the Extension thereto, Sub-section F of Section 6 of Inland Lot No. 1622	The gross floor area of the property is approximately 1,671 sq.ft. (155.24 sq.m.) and the saleable area of the property is approximately 1,382 sq.ft. (128.39 sq.m.).		
	The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.		
	The property is held from the Government under a Government Lease for a term of 999 years from 26 June 1843. The current Government rent payable for the respective lots is HK\$34 per annum.		

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is zoned for "Commercial" use under Central District Outline Zoning Plan No. S/H4/17.

VALUATION REPORT

Group III – Property held by the Group under development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
29. No. 1 Cheong Tung Road, Hung Hom, Kowloon	The site has a site area of approximately 19,042 sq.ft. (1,769 sq.m.).	As at the Valuation Date, superstructure works were in progress.	HK\$1,320,000,000 (HONG KONG DOLLARS ONE BILLION THREE HUNDRED AND TWENTY MILLION)
Kowloon Inland Lot No. 10663	<p>According to the information provided by the Group, the property will be developed into a 26-storey hotel with a total gross floor area of about 228,498 sq.ft. (21,228 sq.m.) providing 536 guestrooms with restaurant, gym, function rooms and swimming pool. The estimated completion dated of the development is in December 2023.</p> <p>The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under Conditions of Grant No. 11466 for a term of 75 years from 21 January 1981. The current Government rent payable for the property is HK\$1,000 per annum.</p>		

Notes:

- (1) The registered owner of the property is China Travel Service Property Investment Hong Kong Limited.
- (2) The property is subject to a Modification Letter vide Memorial No. 06020901690050 dated 13 January 2006.
- (3) The property is subject to a Modification Letter vide Memorial No. 18100300620039 dated 21 September 2018.
- (4) The property is zoned for “Commercial” use under Hung Hom Outline Zoning Plan No. S/K9/27.
- (5) The estimated Gross Development Value of the proposed development assuming that it were fully completed in accordance with the said proposed development scheme as at 30 June 2022, is in the sum of HK\$2,790,000,000.
- (6) As advised by the Group, the total estimated construction cost is about HK\$1,092,000,000. The construction cost expended up to 30 June 2022 is about HK\$181,000,000. We have taken into account such amounts in our valuation.

VALUATION REPORT

Group IV – Property held by the Group for investment in Macau

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
30. Car Parks on 3rd Floor, Marina Plaza, 174 Rua de Xangai, Macau	<p>The property comprises a total of 40 car parking spaces on the 3rd floor of a 23-storey composite building completed in 1989.</p> <p>According to the Land Registry record, the total saleable area of the 3rd and 4th floors of Marina Plaza is approximately 32,103 sq.ft. (2,982.48 sq.m.) (no official area information for 3rd floor only)</p> <p>The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held under a land lease from the Macau Government for a term of 10 years from 24 February 2014. In undertaking our valuation, we have assumed that the lease will be renewed for successive terms of 10 years until 19 December 2049 in accordance with the lands policy of the Macau Government. According to the information from the Group, the annual Ground Rent payable for the property is MOP6,000.</p>	<p>As at the Valuation Date, 17 parking spaces were vacant whilst the remainder of 23 parking spaces were let. Among the 23 parking spaces which were let, 19 of the parking spaces were let for terms of one year with the latest term due to expire in June 2023 at a total monthly rent of about HK\$40,000; 3 parking spaces were let for terms of about 2 years with the latest term due to expire in August 2023 at a total monthly rent of about HK\$6,600; 1 parking space was let for a term of 3 years due to expire in March 2023 at a monthly rent of about HK\$660.</p>	<p>HK\$52,000,000 (HONG KONG DOLLARS FIFTY TWO MILLION)</p>

Note: The registered owner of the property is Sociedade de Fomento Predial Fu Wa (Macau), Limitada.

VALUATION REPORT

Group V – Properties held by the Group for owner-occupation in Macau

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
31. Flats A, B and H on 14th Floor, Marina Plaza, 182 Rua de Xangai, Macau	<p>The property comprises a total of 3 domestic units on the 14th floor of a 23-storey composite building completed in 1989.</p> <p>The property has a total saleable area of approximately 2,239 sq.ft. (208.01 sq.m.).</p> <p>The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held under a land lease from the Macau Government for a term of 10 years from 24 February 2014. In undertaking our valuation, we have assumed that the lease will be renewed for successive terms of 10 years until 19 December 2049 in accordance with the lands policy of the Macau Government. According to the information provided by the Group, the annual Ground Rent payable for the property is MOP1,042.</p>	As at the Valuation Date, the property was occupied by the Group as staff quarters.	HK\$18,000,000 (HONG KONG DOLLARS EIGHTEEN MILLION)

Note: The registered owner of the property is Sociedade de Fomento Predial Fu Wa (Macau), Limitada.

VALUATION REPORT

Group V – Properties held by the Group for owner-occupation in Macau

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
32. Flats A to H on 3rd Floor and Flats A to H on 4th Floor, Block 2, Edificio Nam San, 320A-362G Estrada Governador Albanode Oliveira, Taipa, Macau	<p>The property comprises a total of 16 domestic units on the 3rd and 4th floors of a 22-storey composite building completed in 1992.</p> <p>The property has a total saleable area of approximately 15,922 sq.ft. (1,479.19 sq.m.).</p> <p>The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held under a land lease from the Macau Government for a term of 10 years from 27 July 2015. In undertaking our valuation, we have assumed that the lease will be renewed for successive terms of 10 years until 19 December 2049 in accordance with the lands policy of the Macau Government.</p> <p>According to the information provided by the Group, the annual Ground Rent payable for the property is MOP6,664.</p>	As at the Valuation Date, the property was occupied by the Group as staff quarters.	HK\$114,000,000 (HONG KONG DOLLARS ONE HUNDRED AND FOURTEEN MILLION)

Note: The registered owner of the property is Sociedade de Fomento Predial Fu Wa (Macau), Limitada.

VALUATION REPORT

Group VI – Property held and operated by the Group in Macau

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
33. Metropark Hotel Macau, 191A-205D Rua de Pequim and 707E-707H Alameda Dr. Carlos D' Assumpcao, Macau	<p>The property comprises a 28-storey (including 2 basements) hotel providing 357 guestrooms and general facilities including restaurants, fitness centre, swimming pool, car parking spaces and loading/unloading area completed in 1993.</p> <p>The property has a total gross floor area of approximately 263,890 sq.ft. (24,516 sq.m.).</p> <p>The locality of the property is served by public transport services and characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held under a land lease from the Macau Government for a term of 10 years from 30 December 2013. In undertaking our valuation, we have assumed that the lease will be renewed for successive terms of 10 years until 19 December 2049 in accordance with the lands policy of the Macau Government. According to the information provided by the Group, the annual Ground Rent payable for the property is MOP334,650.</p>	As at the Valuation Date, the property was operated by the Group as a hotel.	HK\$1,040,000,000 (HONG KONG DOLLARS ONE BILLION AND FORTY MILLION)

Note: The registered owner of the property is Sociedade de Fomento Predial Fu Wa (Macau), Limitada.

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 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 aspects 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. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executives

As at the Latest Practicable Date, the interests and short positions of the Directors and the Company's chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Interests in shares			Interests in underlying shares pursuant to share option	Aggregate interests	% of the issued share capital as at the Latest Practicable Date
	Corporate interest	Personal interest	Family interest			
Mr. Lo Sui On	-	600,000	-	-	600,000	0.01%
Mr. Tang Yong	-	12,000	-	-	12,000	0.00%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the Company's chief executive, had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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 as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of Substantial Shareholders

As at the Latest Practicable Date, the following persons (other than the Directors or chief executive of the Company) were substantial shareholders of the Company (as defined in the Listing Rules) had interests, directly or indirectly, or short positions in the Shares and underlying Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long position in the Shares

Name of shareholders	Capacity	Number of shares held	% of the issued share capital as at the Latest Practicable Date
China CTS	Interest of controlled corporation (<i>Note 1</i>)	3,385,492,610	61.15%
CTS (Holdings)	Interest of controlled corporation and beneficial owner (<i>Note 1 and 2</i>)	3,385,492,610	61.15%
Hongkong New Travel Investments Ltd.	Beneficial owner (<i>Note 2</i>)	1,136,254,901	20.52%
CTS Asset Management (I) Limited	Interest of controlled corporation (<i>Note 2</i>)	1,136,254,901	20.52%

Note 1: The entire issued share capital of CTS (Holdings) is beneficially owned by China CTS. CTS (Holdings) is the immediate holding company of the Company. Accordingly, China CTS is taken to be interested in the shares in which CTS (Holdings) is interested pursuant to Part XV of the SFO.

Note 2: Among these 3,385,492,610 shares, 2,249,237,709 shares are held directly by CTS (Holdings); 1,136,254,901 shares are held directly by Hongkong New Travel Investments Ltd., which is directly wholly owned by CTS Asset Management (I) Limited. CTS Asset Management (I) Limited is directly wholly owned by CTS (Holdings), and CTS (Holdings) and CTS Asset Management (I) Limited are deemed to be interested in the shares in which Hongkong New Travel Investments Ltd. is interested pursuant to Part XV of the SFO.

Save as disclosed above, the Directors are not aware of any person (other than Directors or chief executive of the Company) who, as at the Latest Practicable Date, had any interest, directly or indirectly, or short position in the Shares and underlying Shares which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company was a director or employee of a company which has an interest or short position in the Shares and underlying shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

As at the Latest Practicable Date, none of the Directors or proposed Directors had any direct or indirect interest in any assets which had been, since 31 December 2021 (the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of or leased to any member of the Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, proposed directors of the Company or his or her respective close associates was considered to have an interest in a business which competed or was likely to compete, enter directly or indirectly, with the business of the Group or any other conflicts of interests with the Group other than those business to which the Directors and his or her close associates were appointed to represent the interests of the Company and/or the Group.

5. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there was no material adverse changes in the financial or trading position of the Group since 31 December 2021, the date to which the latest published audited consolidated accounts of the Group were made up.

6. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
Messis Capital Limited	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Cushman & Wakefield Limited	valuer

Each of the experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or report (as the case may be) and references to its name in the form and context in which they are included.

As at the Latest Practicable Date, each of the experts did not have any direct or indirect interest in any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, none of the experts had any direct or indirect interest in any assets which had been, since 31 December 2021 (being the date to which the latest published audited consolidated accounts of the Company were made up), 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.

The letter from the Independent Financial Adviser and the Property Valuation Report from the Independent Valuer are given as at the date of this circular for incorporation herein.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contract with any member of the Group which was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

8. LANGUAGE

In the event of inconsistency, the English text of this circular will prevail over the Chinese text.

9. DOCUMENTS ON DISPLAY

Copy of the following document will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.irasia.com/listco/hk/ctii) for a period of 14 days commencing from the date of this circular:

- (a) the Subscription Agreement.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of the shareholders of China Travel International Investment Hong Kong Limited (the “**Company**”) will be held at Forum Wing, C/Floor, Metropark Hotel Mongkok, 22 Lai Chi Kok Road, Kowloon, Hong Kong on Friday, 30 September 2022 at 2:30 p.m. to consider as special business and, if thought fit, passing (with or without amendments) the following resolutions as ordinary resolution:

1. “**THAT**

- (a) the subscription agreement dated 29 June 2022 (the “**Subscription Agreement**”) entered into between the China Travel Service Property Investment Hong Kong Limited (“**CTSPI**”) and China Travel Service (Holdings) Hong Kong Limited (“**CTS (Holdings)**”) in relation to the proposed subscription of 1,075 shares in CTSPI by CTS (Holdings) at the subscription amount of RMB400,000,000 (equivalent to approximately HK\$468,000,000) (as further detailed in the circular of the Company dated 13 September 2022) be and is hereby approved, confirmed and ratified;
- (b) any one director of the Company be and is hereby authorised to sign, execute and deliver all such documents and take all such actions as he may consider necessary or desirable for the purpose of or in connection with the Subscription Agreement.”

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

Hong Kong, 13 September 2022

Notes:

- (1) A member entitled to attend and vote at the Meeting convened by this notice is entitled to appoint one or more proxy (ies) to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. Taking into account the recent development of the epidemic caused by the coronavirus disease (COVID-19), the Company will implement the following prevention and control measures at the EGM to protect Shareholders from the risk of infection:
 - (i) compulsory body temperature checks will be conducted for every attending Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
 - (ii) maintain a safe distance between seats;

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- (iii) every attending Shareholder or proxy is required to wear a surgical mask throughout the EGM; and
- (iv) no refreshments or souvenirs will be served or distributed at the EGM.

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company wishes to advise all Shareholders, in particular those who are subject to quarantine in relation to COVID-19, that they may appoint any person or the Chairman of the EGM as a proxy to attend and vote on any of the resolutions in lieu of attending the EGM in person.

The Company will closely monitor and ascertain the regulations and measures introduced or to be introduced by the Hong Kong government, and if necessary, will make further announcements in case of any update regarding the precautionary measures to be carried out at the EGM.

- (2) A form of proxy for use at the Meeting is enclosed herewith. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the Meeting or poll concerned if he so wishes. In the event of a member who has lodged a form of proxy attending the Meeting, his form of proxy will be deemed to have been revoked.
- (3) In order to be valid, the instrument appointing a proxy together with a 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, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for the holding of the Meeting (or adjourned meeting or of the poll, as the case may be).
- (4) In the case of joint holders of a share, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
- (5) The Register of Members of the Company will be closed from Tuesday, 27 September 2022 to Friday, 30 September 2022 (both dates inclusive), for the purposes of ascertaining Shareholders' entitlement to attend and vote at the Meeting. In order to be eligible to attend and vote at the Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 26 September 2022.
- (6) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

As at the date of this notice, 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.