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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PROVISION OF TOUR GROUP SERVICES

Reference is made to the announcements of the Company dated 14 October 2011 and 6 November 2012 in respect of the continuing connected transactions in relation to the provision of tour group services by the Group and the China CTS (HK) Group to each other under the 2011 Tour Group Services Master Agreement.

As the 2011 Tour Group Services Master Agreement relating to the continuing connected transactions provided thereunder will expire on 31 December 2014, the Company entered into the 2014 Tour Group Services Master Agreement with China CTS (HK) on 19 November 2014 to renew the terms of such continuing connected transactions for a term commencing from 1 January 2015 to 31 December 2017, where the Group and the China CTS (HK) Group will continue to provide tour group services to each other.

As China CTS (HK) holds the entire issued share capital of CTS (Holdings) and CTS (Holdings) is a substantial shareholder of the Company, China CTS (HK) is a connected person of the Company under the Listing Rules. Hence, the CTII Tour CCT and China CTS Tour CCT constitute continuing connected transactions for the Company under the Listing Rules. As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules in respect of the continuing connected transactions contemplated under the 2014 Tour Group Services Master Agreement, on an annual basis, exceed 0.1% but less than 5%, the said continuing connected transactions are therefore only subject to the reporting, annual review and announcement requirements and are exempt from the independent shareholders' approval requirements under the Listing Rules.

BACKGROUND

Reference is made to the announcements of the Company dated 14 October 2011 and 6 November 2012 in respect of the continuing connected transactions in relation to the provision of tour group services by the Group and the China CTS (HK) Group to each other under the 2011 Tour Group Services Master Agreement.

As the 2011 Tour Group Services Master Agreement relating to the continuing connected transactions provided thereunder will expire on 31 December 2014, the Company entered into the 2014 Tour Group Services Master Agreement with China CTS (HK) on 19 November 2014 to renew the terms of such continuing connected transactions for a term commencing from 1 January 2015 to 31 December 2017, where the Group and the China CTS (HK) Group will continue to provide tour group services to each other.

TERMS OF THE 2014 TOUR GROUP SERVICES MASTER AGREEMENT

The services charges under the 2014 Tour Group Services Master Agreement shall be determined based on the following:

- (i) In relation to the provision of tour group services by the Group to the China CTS (HK) Group, the charges of such services shall be determined by a pricing mechanism having reference to the costs of the services and the prevailing market rates and shall not be lower than the services fees which those services are charged by the Group to any Independent Third Parties as are monitored regularly by the Group's internal control procedures.
- (ii) In relation to the provision of tour group services by the China CTS (HK) Group to the Group, the charges of such services shall be determined by a pricing mechanism having reference to the costs of the services and the prevailing market rates and shall not be higher than the prevailing market price at which those services are charged by any Independent Third Parties to the Group as are monitored regularly by the Group's internal control procedures.

The payment terms of each individual transaction under the 2014 Tour Group Services Master Agreement will be agreed by the relevant parties on an arm's length basis and according to the prevailing fair and usual market practice from time to time.

REASONS FOR AND BENEFITS OF THE CTII TOUR CCT AND THE CHINA CTS TOUR CCT

In view of past operational convenience and benefits brought to the Group, the Board considers it to be in the interests of the Group to engage in the CTII Tour CCT and the China CTS Tour CCT and that the Group will benefit from the extensive coverage of the travelling network of the China CTS (HK) Group. The CTII Tour CCT and the China CTS Tour CCT will enable the Group to launch new products with the China CTS (HK) Group and to provide one-stop services to clients. The Board believes that the resources of the Group will be allocated more efficiently and the cost will be lowered as a result.

HISTORICAL FIGURES AND RENEWED ANNUAL CAPS

	For the year ended 31 December 2011 Actual Amount HK\$'000	For the year ended 31 December 2012 Actual Amount HK\$'000	For the year ended 31 December 2013 Actual Amount HK\$'000	For the nine months ended 30 September 2014 Actual Amount HK\$'000	For the year ending 31 December 2015 Proposed Cap HK\$'000	For the year ending 31 December 2016 Proposed Cap HK\$'000	For the year ending 31 December 2017 Proposed Cap HK\$'000
Provision of tour group services by the Group to the China CTS (HK) Group	12,521	23,555	22,260	14,464	30,000	36,000	43,000
Provision of tour group services by the China CTS (HK) Group to the Group	87,783	72,977	57,964	34,448	73,000	88,000	105,000

RENEWED ANNUAL CAPS FOR THE CTII TOUR CCT AND THE CHINA CTS TOUR CCT

The renewed annual caps for the three years ending 31 December 2017 for the CTII Tour CCT and the China CTS Tour CCT are determined based on the following:

- (i) historical transaction amounts as detailed in the table above; and
- (ii) the Company's internal projection after taking into account the organic growth of the travel agency business of the China CTS (HK) Group and the Group.

The above is merely assumed for the purpose of determining the renewed annual caps and shall not be regarded as any indication directly or indirectly as to the Group's revenue, profitability or trading prospects.

The Directors (including the independent non-executive Directors) consider that the 2014 Tour Group Services Master Agreement is entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms and the renewed annual caps are fair and reasonable so far as the Shareholders are concerned and are in the interest of the Shareholders and the Group as a whole.

LISTING RULES IMPLICATIONS

As China CTS (HK) holds the entire issued share capital of CTS (Holdings) and CTS (Holdings) is a substantial shareholder of the Company, China CTS (HK) is a connected person of the Company under the Listing Rules. Hence, the CTII Tour CCT and China CTS Tour CCT constitute continuing connected transactions for the Company under the Listing Rules. As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules in respect of the continuing connected transactions contemplated under the 2014 Tour Group Services Master Agreement, on an annual basis, exceed 0.1% but less than 5%, the said continuing connected transactions are therefore only subject to the reporting, annual review and announcement requirements and are exempt from the independent shareholders' approval requirements under the Listing Rules.

The Directors who have voted on the Board resolution in relation to the transactions contemplated under the 2014 Tour Group Services Master Agreement do not have a material interest in the aforesaid transaction or were required to abstain from voting on the Board resolutions for considering and approving the same. The Chairman of the Board, Ms. Jiang Yan, who is also a director of CTS (Holdings) and China CTS (HK), is regarded as having a material interest in the transaction. She has not attended the Board meeting for voting on the resolution.

INFORMATION OF THE PARTIES

The principal business activities of the Group include travel agency and related operations, tourist attractions, hotel, passenger transportation, golf club, arts performance and power generation operations.

China CTS (HK), the ultimate controlling shareholder of CTS (Holdings) and the Company, is a central state-owned enterprise under the supervision of State-owned Assets Supervision and Administration Commission of the State Council of the PRC. The China CTS (HK) Group is principally engaged in travel business, industrial investment in steel, real estate development, logistics and trading.

DEFINITIONS

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

“2011 Tour Group Services Master Agreement”	the master agreement dated 14 October 2011 entered into between the Company and China CTS (HK) in relation to the provision of tour group services by the Group and the China CTS (HK) Group to each other
“2014 Tour Group Services Master Agreement”	the master agreement dated 19 November 2014 entered into between the Company and China CTS (HK) in relation to the provision of tour group services by the Group and the China CTS (HK) Group to each other

“Board”	the board of Directors
“China CTS (HK)”	China National Travel Service (HK) Group Corporation, a 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 (HK) Group”	China CTS (HK) and its subsidiaries, but excluding the Group for the purpose of this announcement
“China CTS Tour CCT”	the provision of tour group services by the China CTS (HK) Group to the Group as contemplated under the 2011 Tour Group Services Master Agreement and the 2014 Tour Group Services Master Agreement
“Company”	China Travel International Investment Hong Kong Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
“connected person(s)”, “subsidiary(ies)”, “substantial shareholder(s)”	each of which has the meaning ascribed to it under the Listing Rules
“CTII Tour CCT”	the provision of tour group services by the Group to the China CTS (HK) Group as contemplated under the 2011 Tour Group Services Master Agreement and the 2014 Tour Group Services Master Agreement
“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited, a company interested in 57.53% of the issued share capital of the Company and a connected person of the Company
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Independent Third Parties”	parties who are independent from the Company and the connected persons of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, for the purpose of this announcement, exclusively refer to Mainland China
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
China Travel International Investment Hong Kong Limited
Xu Muhan
Executive Director and General Manager

Hong Kong, 19 November 2014

As at the date of this announcement, the Board comprises five executive Directors, namely Ms. Jiang Yan, Mr. Lo Sui On, Mr. Zhang Fengchun, Mr. Xu Muhan and Mr. Fu Zhuoyang; and four independent non-executive Directors, namely Dr. Fong Yun Wah, Mr. Wong Man Kong, Peter, Mr. Sze, Robert Tsai To and Mr. Chan Wing Kee.