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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)

MAJOR AND CONNECTED TRANSACTION DISPOSAL OF 100% INTEREST IN A SUBSIDIARY

The Board is pleased to announce that on 24 March 2015 (after trading hours of the Stock Exchange), the Vendors and the Purchaser entered into the Disposal Agreement, pursuant to which, subject to the Conditions Precedent set out therein, the Vendors agreed to sell and the Purchaser agreed to purchase the Sale Shares at a total consideration of RMB510 million (equivalent to approximately HK\$642.6 million). On completion, the Group expects to record a gain of approximately HK\$480 million from the Disposal.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As the Purchaser is the controlling shareholder of the Company which together with its subsidiaries own approximately 57.52% of the issued share capital of the Company as at the date of this announcement, the Purchaser is a connected person of the Company and the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The AGM will be convened as soon as practicable to consider, and if thought fit, to approve the Disposal Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further details of the Disposal, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, the recommendation from the Independent Board Committee and the financial information of the Group together with the notice of the AGM is expected to be despatched to the Shareholders on or before 17 April 2015.

The Disposal is conditional and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE DISPOSAL AGREEMENT

Date: 24 March 2015

Parties: (1) vendors: the Vendors
(2) purchaser: the Purchaser

Subject matter: Pursuant to the Disposal Agreement, the Vendors conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares.

As at the date of this announcement, the Company is the legal and beneficial owner of 99.9% issued ordinary shares in the Target Company, whereas Add-Well, a wholly owned subsidiary of the Company, holds 0.1% issued ordinary shares in the Target Company on trust for the Company.

Consideration:

The consideration for the Disposal shall be RMB510 million (equivalent to approximately HK\$642.6 million), which was determined and agreed between the parties after arm's length negotiations and taking into account various relevant factors including (i) the financial position, business outlook and future prospects of the Target Group; (ii) the prospects of the power industry in the PRC; (iii) the unaudited book value of assets attributable to the Disposal; (iv) the valuation of the Target Group; and (v) the post-completion consideration adjustment mechanism. The Purchaser shall pay the consideration in cash to the Vendors upon Completion.

Conditions Precedent:

Completion is conditional upon the following conditions precedent being satisfied or waived:-

- (1) the Disposal Agreement shall have been signed by the parties and become effective;
- (2) the Vendors shall have obtained all necessary internal approval in respect of the Disposal Agreement and the transactions contemplated under the Disposal Agreement, including but not limited to the approval of the Independent Shareholders as may be required under the Listing Rules and in accordance with the articles of association of the Company;
- (3) each of the Vendors and the Purchaser shall have obtained approval from its board of directors (or its shareholders if required under its articles of association) in respect of the Disposal Agreement and the transactions contemplated under the Disposal Agreement;
- (4) there shall have no material adverse change for the Target Group;

- (5) the parties shall have observed all laws and regulations in relation to the transfer of the Sale Shares, including completion of all necessary procedures and registration;
- (6) the completion of the Target Company's disposal of its 89.14% equity interest in Xianyang OSR; and
- (7) the repayment of the Shareholder's Loan by the Target Company to the Company.

The Purchaser may waive the conditions precedent (1) or (4) above, whereas the Vendors may waive the conditions precedent (1) above. If any of the Conditions Precedent have not been satisfied or waived within six months from the date of the Disposal Agreement (or such other date as agreed by the parties), the Disposal Agreement will immediately and automatically terminate and no party shall have any claim whatsoever against another party, save for antecedent breach.

Post-Completion Consideration Adjustment Mechanism:

Pursuant to the Disposal Agreement, if the audited net profit after tax of Weihe Power for each of the two years ending 31 December 2015 and 31 December 2016 and the four months ending 30 April 2017 ("Audited Profit") deviates from the base value of RMB452 million, RMB392 million and RMB112 million respectively for each of the two years ending 31 December 2015 and 31 December 2016 and the four months ending 30 April 2017 ("Base Value") by more than 10%, the Vendors and the Purchaser will pay each other in accordance with the following formulae.

- (i) if the Audited Profit is higher than the Base Value by 10%, the Purchaser shall, within 10 business days after the issue of the relevant audited accounts of Weihe Power, pay the Vendors an amount equal to:

$(\text{Audited Profit} - \text{Base Value} \times 110\%) \times 51\%$; and

- (ii) if the Audited Profit is lower than the Base Value by 10%, the Vendors shall, within 10 business days after the issue of the relevant audited accounts of Weihe Power, pay the Purchaser an amount equal to:

$(\text{Base Value} \times 90\% - \text{Audited Profit}) \times 51\%$, where the Audited Profit will be treated as 0 if it is negative.

Completion

Completion shall take place within ten business days following the satisfaction or waiver of all the Conditions Precedent or such other date as may be agreed by the parties thereto. After Completion, the Target Company will cease to be the Company's subsidiary.

INFORMATION OF THE PARTIES

The CTS (Holdings) Group

The CTS (Holdings) Group is principally engaged in travel business, real estate development, finance, iron and steel production and logistics and trading.

Add-Well

Add-Well is an investment holding company incorporated in British Virgin Islands with limited liability and a wholly owned subsidiary of the Company as at the date of this announcement.

The Group

The Group's principal business includes operations of travel destinations (including hotels, theme parks, natural and cultural scenic spots, and leisure resorts), travel agency and related operations, passenger transportation, golf club, arts performance and power generation.

The Target Group

The Target Company is an investment holding company incorporated in Hong Kong with limited liability and is a wholly owned subsidiary of the Company as at the date of this announcement.

As at the date of this announcement, the Target Company owns 51% equity interest in Weihe Power, which is principally engaged in the operation of a 4X300MW combined heat and power plant in Shaanxi Province, and 89.14% equity interest in Xianyang OSR, which is principally engaged in the operation of a leisure resort in Xianyang, Shaanxi Province. The Target Company entered into an agreement on 30 January 2015 with Blessing Home, a wholly owned subsidiary of the Company, to dispose of its 89.14% equity interest in Xianyang OSR to Blessing Home and completion of such disposal is one of the Conditions Precedent.

The unaudited net profit before and after taxation of the Target Group (prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS")) for the two financial years ended 31 December 2013 and 31 December 2014 are as follows:

	2014	2013
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Net profit before taxation	269,663	236,710
Net profit after taxation	268,972	235,634

As at 31 January 2015, the unaudited consolidated net assets and Shareholder Loan of the Target Group (prepared in accordance with HKFRS) were approximately HK\$242 million and HK\$206 million respectively.

In 2014, the Group used the Target Company as a vehicle to hold the Group's surplus cash to generate interest income. Before the date of this announcement, the Group has withdrawn all the surplus cash it provided to the Target Company. Assuming the Group had never provided its surplus cash to the Target Company to generate interest income in the past and the disposal of the Target Company's 89.14% equity interest in Xianyang OSR had been completed on 1 January 2013, the unaudited proforma net profit before and after taxation of the Target Group (prepared in accordance with HKFRS) for the two financial years ended 31 December 2013 and 31 December 2014 are as follows:

	2014 <i>(HK\$'000)</i>	2013 <i>(HK\$'000)</i>
Net profit before taxation	297,262	285,233
Net profit after taxation	281,200	276,815

REASONS FOR THE DISPOSAL AND FINANCIAL IMPLICATIONS THEREOF

It is the Group's strategy to focus on travel destination operations and supplementary operations and the Disposal would enable the Group to dispose of its power generation operations and focus on its core competitiveness. Besides, the Disposal will transform the Company into a pure travel company which enables Shareholders and investors to invest in the prospering travel industry in China without taking undue risks in the power industry and helps to unlock the underlying value of the Group's travel operations. In addition, Weihe Power is a Sino-foreign cooperative joint venture company with a joint venture period expiring on 7 May 2017. Upon expiry of the joint venture period, Weihe Power will carry out liquidation in accordance with the PRC laws and the Target Company will transfer its interest in Weihe Power to its joint venture partner at nil consideration. Therefore Weihe Power does not have long term development prospects. The Directors also consider that the Disposal presents a good opportunity for the Group to realise its investment in the Target Group while the coal price has been decreasing and will enable the Group to improve its liquidity and strengthen the overall financial position of the Group as a whole.

Based on the carrying value of the Target Group as at 31 January 2015, the Group expects to record a gain of approximately HK\$480 million from the Disposal and this figure may change depending on the actual amount of assets attributable to the Disposal upon Completion. Upon Completion, the earnings of Group would be reduced by the earnings currently attributable to the Target Group. The Group will strive to fill the earnings gap following the Disposal by ways of organic growth of travel operations, development of integrated leisure resorts, acquisitions of new natural and cultural scenic spots and travel projects, and disposals of loss making operations, etc.

The Group will apply the sales proceeds from the Disposal to develop its travel businesses and as general working capital.

In view of the aforesaid, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) consider that the Disposal is fair and reasonable and on normal commercial terms and that the entering into of the Disposal Agreement is in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios under Rule 14.07 of the Listing Rules exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As the Purchaser is the controlling shareholder of the Company which together with its subsidiaries own approximately 57.52% of the issued share capital of the Company as at the date of this announcement, the Purchaser is a connected person of the Company and the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Disposal is conditional and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Fong Yun Wah, Mr. Wong Man Kong, Peter, Mr. Sze, Robert Tsai To and Mr. Chan Wing Kee, has been established to advise the Independent Shareholders in respect of the Disposal Agreement and the transactions contemplated thereunder. An Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal Agreement and the transactions contemplated thereunder.

The AGM will be convened as soon as practicable to consider, and if thought fit, to approve the Disposal Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further details of the Disposal, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, the recommendation from the Independent Board Committee and the financial information of the Group together with the notice of the AGM is expected to be despatched to the Shareholders on or before 17 April 2015.

DEFINITIONS

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

“Add-Well”	Add-Well Investments Limited, a company incorporated in British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“AGM”	the annual general meeting of the Company to be held on 20 May 2015 to consider the ordinary resolutions to be proposed to approve, among others, the Disposal Agreement and the transactions contemplated thereunder
“Blessing Home”	Blessing Home Development Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“Board”	the board of Directors
“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
“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the terms of the Disposal Agreement
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Conditions Precedent”	the conditions precedent set out in the Disposal Agreement which must be satisfied or waived by the Purchaser within six months from the date of the Disposal Agreement (or such other date as agreed by the parties) in order for Completion to take place
“connected persons”	has the meaning ascribed to it under the Listing Rules
“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited
“CTS (Holdings) Group”	CTS (Holdings) and its associates, but excluding the Group for the purpose of this announcement
“Director(s)”	the director(s) of the Company

“Disposal”	the sale of the Sale Shares by the Vendors to the Purchaser pursuant to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the agreement dated 24 March 2015 entered into among the Vendors and the Purchaser in relation to the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of Directors consisting of Dr. Fong Yun Wah, Mr. Wong Man Kong, Peter, Mr. Sze, Robert Tsai To and Mr. Chan Wing Kee, being all the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the terms of the Disposal
“Independent Financial Adviser”	First Shanghai Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than the Purchaser and its associates and those who are involved in or interested in the relevant resolution to be approved at the AGM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclusively refer to Mainland China
“Purchaser”	CTS (Holdings) (for itself or its nominee)
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	100% issued ordinary shares in the Target Company owned by the Vendors as at the date of this announcement
“Shareholders”	shareholders of the Company
“Shareholder’s Loan”	represents the entire shareholder’s loan and other indebtedness owed by the Target Company to the Company

“Shares”	shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Chadwick Developments Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries
“Vendors”	the Company and Add-Well
“Weihe Power”	Shaanxi Weihe Power Co., Ltd., a Sino-foreign cooperative joint venture company established in the PRC and is owned as to 51% by the Target Company
“Xianyang OSR”	Xianyang Ocean Spring Resort Co., Ltd., a Sino-foreign equity joint venture company established in the PRC and is owned as to 89.14% by the Target Company

Unless otherwise stated in this announcement, translations of RMB into HK\$ are made at the rate of RMB1.00 to HK\$1.26 for information purpose only. Such conversion should not be construed as a representation that any amount has been, could have been or may be converted at the above rate or at all.

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

Hong Kong, 24 March 2015

As at the date of this announcement, the Board of the Company 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.