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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)

CONTINUING CONNECTED TRANSACTIONS – MASTER LEASE AGREEMENT

The Board announces that on 21 July 2017 (after the close of trading hours of the Stock Exchange), the Company entered into the Master Lease Agreement with China CTS to govern the lease arrangements with the China CTS Group as lessee for a term commencing from 21 July 2017 and ending on 31 December 2019.

As China CTS holds the entire issued share capital of CTS (Holdings) and CTS (Holdings) is a substantial shareholder of the Company, China CTS is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Master Lease Agreement will constitute continuing connected transactions for the Company under the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Master Lease Agreement will be more than 0.1% but less than 5% and have an annual consideration of more than HK\$3,000,000, the entering into of the Master Lease Agreement is only subject to the reporting, announcement and annual review requirements but is exempt from the circular (including independent financial advice) and the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

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THE MASTER LEASE AGREEMENT

Date

21 July 2017

Parties

- (a) the Company; and
- (b) China CTS

Principal terms of the Master Lease Agreement

Term

21 July 2017 to 31 December 2019 (both dates inclusive)

Transaction Nature

The Group will continue to lease its office premises or other properties to the China CTS Group during the Term. Pursuant to such arrangement, the Group will renew or enter into lease agreements with the China CTS Group to lease certain office premises or other properties to the China CTS Group.

Pricing Basis

The rental and other charges charged by the Group to the China CTS Group shall be based on normal commercial terms, fair and reasonable, and determined by a pricing mechanism having reference to the prevailing market prices of comparable properties in the vicinity and shall not be lower than the prevailing market prices of comparable properties in the vicinity as are monitored regularly by the Group's internal control procedures. The rental and other charges will be payable monthly in cash.

Historical Figures

The total amount of the continuing connected transactions in connection with the rents received or receivable by the Group from the China CTS Group for each of the three financial years ended 31 December 2016 were RMB1,114,000, RMB1,123,000, and RMB3,261,000, respectively.

Annual Caps

The annual caps under the Master Lease Agreement are as follows:

	Year ending 31 December		
	2017	2018	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Lease arrangements with the China CTS Group as lessee	6,430,000	7,720,000	9,270,000

The above caps are determined based on the following:

- (i) Historical transaction amounts for transactions for the three years ended 31 December 2016;
- (ii) The expected annual rent receivable by the Group under the individual lease agreements which may be entered into between the Group and the China CTS Group under the Master Lease Agreement;
- (iii) The increase in current market rent in general as compared with that in 2016; and
- (iv) The expected increase in tenancy for office premises or other properties in the forthcoming years.

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

Pursuant to the Master Lease Agreement, the Company and China CTS would allow the auditors with sufficient access and inspection right to the books and records for the purpose of reporting on the transactions contemplated thereunder the Master Lease Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER LEASE AGREEMENT

In view of past operational convenience and benefits brought to the Group and extended business relationships established between the Group and the China CTS Group, such continuing relationships are expected to bring synergies to the parties. Thus, the Directors (including the independent non-executive Directors) consider that the terms of the Master Lease Agreement have been negotiated on an arm's length basis and entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the transactions contemplated thereunder and the annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the Master Lease Agreement and the transactions contemplated thereunder and accordingly, none of them was required to abstain from voting on the Board resolutions for considering and approving the same.

INTERNAL CONTROL MEASURES ON CONTINUING CONNECTED TRANSACTIONS

In accordance with the Listing Rules, the Company will comply at all times with the applicable provisions under Rules 14A.34, 14A.35, 14A.49 to 14A.59 of the Listing Rules in respect of the continuing connected transactions contemplated under the Master Lease Agreement. In addition, in

order to safeguard the interests of the Company and the Shareholders as a whole, the Group has adopted certain guidelines and principles in monitoring the transactions between the Group and the China CTS Group namely:

- (i) the Company will report the transactions under the Master Lease Agreement to the independent non-executive Directors during each of the audit committee meetings (if necessary) according to the audit committee meeting agenda. The Company will ensure that such kind of reporting shall be conducted not less than two times in a year; and
- (ii) The Company will review the transactions with the China CTS Group to identify any continuing connected transaction that may be a risk of exceeding the annual caps, and any measures to be taken in respect of such continuing connected transaction. The Group has established a series of measures and policies to ensure that the continuing connected transactions will be conducted in accordance with the terms of the Master Lease Agreement. The Group will conduct random internal checks to ensure that the internal control measures in respect of the continuing connected transactions remain complete and effective.

LISTING RULES' IMPLICATIONS

As China CTS holds the entire issued share capital of CTS (Holdings) and CTS (Holdings) is a substantial shareholder of the Company, China CTS is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Master Lease Agreement will constitute continuing connected transaction for the Company under the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Master Lease Agreement will be more than 0.1% but less than 5% and have an annual consideration of more than HK\$3,000,000, the entering into of the Master Lease Agreement is only subject to the reporting, announcement and annual review requirements but is exempt from the circular (including independent financial advice) and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION OF THE PARTIES

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 agency, travel documents and related operations, passenger transportation operations.

The China CTS Group is principally engaged in travel business, real estate development, finance, logistics and trading.

DEFINITIONS

Unless the context otherwise requires, the terms used in this announcement shall have the following meanings:

“associates”	has the same meaning as ascribed thereto in the Listing Rules
“Board”	the board of directors of the Company
“China CTS”	China National Travel Service 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 capital of CTS (Holdings)
“China CTS Group”	China CTS and its subsidiaries and associates, but excluding the Group for the purpose of this announcement
“Company”	China Travel International Investment Hong Kong Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange (stock code: 308)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited, a company interested in 60.14% of the issued share capital of the Company and a connected person of the Company under the Listing Rules
“Directors”	the directors of the Company
“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 PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Lease Agreement”	the master lease agreement dated 21 July 2017 entered into between the Company and China CTS in relation to the lease arrangements with China CTS Group as lessee

“PRC”	the People’s Republic of China, for the purpose of this announcement, exclusively refer to Mainland China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	from 21 July 2017 to 31 December 2019
“%”	percentage

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

Hong Kong, 21 July 2017

As at the date of this announcement, the Board of the Company comprises five executive Directors, namely Mr. Zhang Fengchun, Mr. Lo Sui On, Mr. Zhang Xing, Mr. Liu Fengbo and Mr. Chen Xianjun 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.