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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)

CONNECTED TRANSACTION - DISPOSAL OF 5% SHAREHOLDING IN A PRC SUBSIDIARY

The Board announces that on 24 August 2017 (after the close of trading hours of the Stock Exchange), the Company entered into the Share Transfer Agreement with CITS Corporation pursuant to which the Company agreed to dispose of and CITS Corporation agreed to acquire the Sale Capital for a consideration of RMB38,173,300 (equivalent to approximately HK\$43,200,000). On the same date, the Company and CITS Corporation entered into the Concert Party Agreement pursuant to which CITS Corporation unconditionally agreed to vote all its interests in the Target Company in the same way as the Company after Completion. The Target Company will remain as a subsidiary of the Company after Completion, and the financial results and financial positions of the Target Company will continue to be consolidated into the financial statements of the Group.

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. CITS Corporation is a wholly-owned subsidiary of China CTS and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Share Transfer Agreement will constitute 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 Share Transfer 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 Share Transfer Agreement is only subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and the Shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE DISPOSAL

The Board announces that on 24 August 2017 (after the close of trading hours of the Stock Exchange), the Company entered into the Share Transfer Agreement with CITS Corporation pursuant to which the Company agreed to dispose of and CITS Corporation agreed to acquire the Sale Capital

for a consideration of RMB38,173,300 (equivalent to approximately HK\$43,200,000). On the same date, the Company and CITS Corporation entered into the Concert Party Agreement pursuant to which CITS Corporation unconditionally agreed to vote all its interests in the Target Company in the same way as the Company after Completion.

Upon Completion, the Target Company will be owned as to 46% by the Company. As the Company and CITS Corporation has entered into the Concert Party Agreement, the Company will still control more than half of the voting rights in the Target Company, and therefore the Target Company will remain as a subsidiary of the Company after Completion, and the financial results and financial positions of the Target Company will continue to be consolidated into the financial statements of the Group.

THE MAJOR TERMS OF THE SHARE TRANSFER AGREEMENT

Date

24 August 2017 (after the close of trading hours of the Stock Exchange)

Parties

- (a) the Company; and
- (b) CITS Corporation

Assets to be disposed of

Before Completion, the Target Company has a paid up capital of RMB192,117,800 which is owned as to 51% by the Company. The Company has agreed to dispose of and CITS Corporation has agreed to acquire the Sale Capital, representing 5% shareholding in the Target Company.

Consideration

The consideration for the Disposal is RMB38,173,300 (equivalent to approximately HK\$43,200,000), which shall be payable by CITS Corporation by cash within fifteen days after completion of relevant internal procedures by both parties regarding the Disposal and obtaining of procedural approval from relevant PRC foreign exchange department regarding payment of the consideration.

The consideration for the Disposal was determined with reference to the appraisal value of RMB38,173,300 (equivalent to approximately HK\$43,200,000) in respect of the 5% shareholders' equity of the Target Company as at 31 December 2016 prepared by an independent valuer named Beijing Zhongtianhe Assets Appraisal Co., Ltd. and arrived at after arm's length negotiations between the parties to the Share Transfer Agreement.

Completion

Completion will take place on the date of completion of registration of the transfer of Sale Capital with the relevant PRC authority, and the Company will procure the Target Company to complete the necessary registration procedures.

THE MAJOR TERMS OF CONCERT PARTY AGREEMENT

Date

24 August 2017 (after the close trading hours of the Stock Exchange)

Parties

- (a) the Company; and
- (b) CITS Corporation

Transaction Nature

CITS Corporation unconditionally agreed to vote all its interests in the Target Company in the same way as the Company after Completion

Term

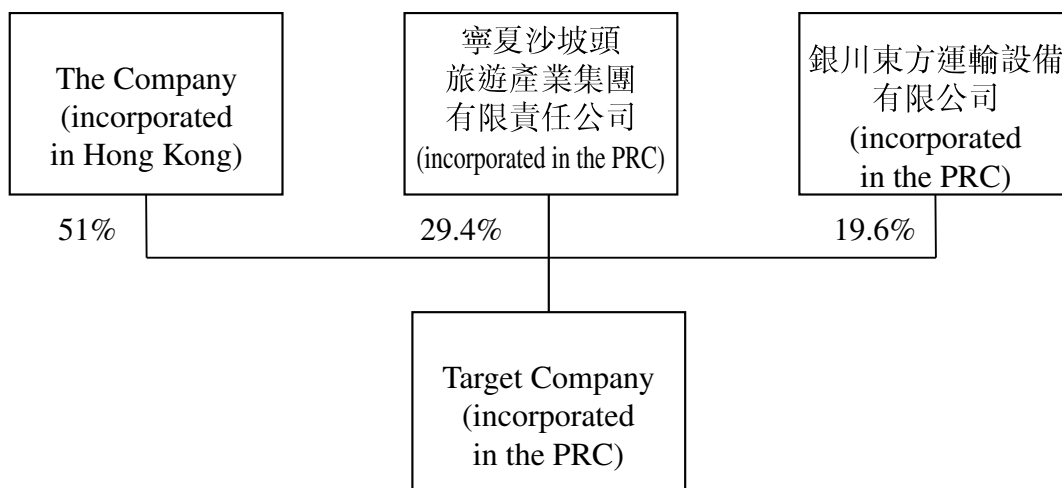
The Concert Party Agreement shall be effective from the date of the Share Transfer Agreement, and shall continue in force so long as both parties continue to own equity interest in the Target Company and there is no change in substantial shareholding of the Company.

INFORMATION OF THE TARGET COMPANY

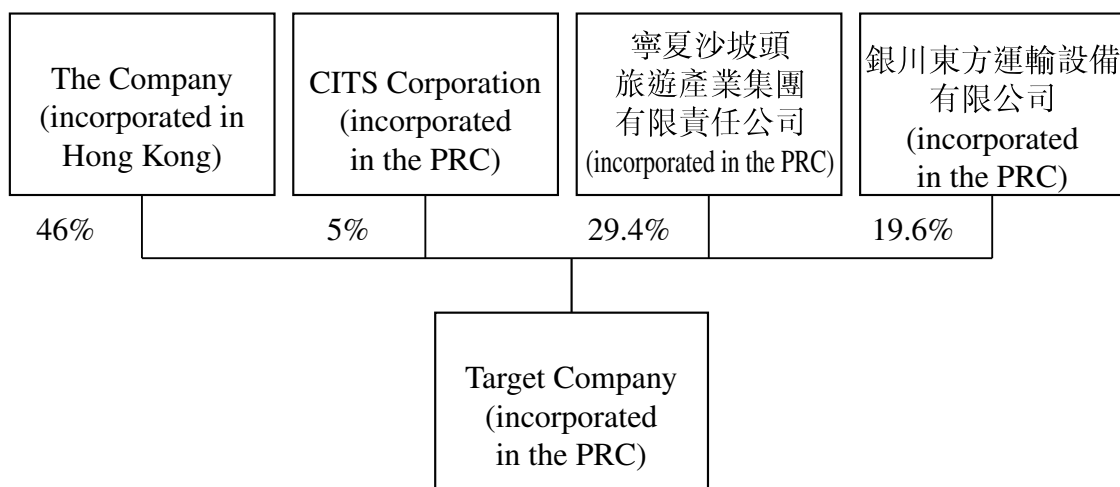
The Target Company is a sino-foreign joint venture established in the PRC and is principally engaged in natural and cultural scenic spots business. Before Completion, the Target Company has a paid up capital of RMB192,117,800 which is owned as to 51% by the Company, 29.4% by 寧夏沙坡頭旅遊產業集團有限責任公司 and 19.6% by 銀川東方運輸設備有限公司.

The shareholding structures of the Target Company immediately before and after the Completion are as follows:

Immediately before the Completion



Immediately after the Completion



The audited financial information of the Target Company for the two years ended 31 December 2016 and prepared in accordance with the accounting principles generally accepted in the PRC are as follows:

	For the year ended 31 December 2015	For the year ended 31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	233,584	200,456
Profit before taxation	70,221	44,744
Profit after taxation	59,556	37,155
Net asset value	452,327	462,682

REASONS FOR AND BENEFITS OF ENTERING INTO THE SHARE TRANSFER AGREEMENT

In accordance with the requirements of 《外商投資產業指導目錄》 in the PRC, a sino-foreign joint venture with registered capital owned more than 49% by foreign enterprise will not be granted a water transportation permit. Upon Completion, the Target Company will be owned as to 46% by the Company and 54% in aggregate by the other three PRC companies, and will therefore satisfy the relevant requirement for applying for a water transportation permit. The Directors are of the view that the development of water transportation business will provide a satisfactory return to the Target Company and is in the interest of the Group in the long run to enter into this transaction on its terms which were negotiated and agreed with the CITS Corporation on an arm's length basis.

The Directors (including the independent non-executive Directors) consider that the terms of the Share Transfer 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 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 Share Transfer 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.

FINANCIAL IMPACT OF THE DISPOSAL

As at the date of this announcement, the Target Company is a directly non wholly-owned subsidiary of the Company. The financial results and financial positions of the Target Company are consolidated into the financial statements of the Company. Immediately upon Completion, the Company's shareholding in the Target Company will be reduced from 51% to 46%. CITS Corporation unconditionally agreed to vote all its interests in the Target Company in the same way as the Company after Completion. The Company will still control more than half of the voting rights in the Target Company, and therefore the Target Company will remain as a subsidiary of the Company. Accordingly, the financial results and financial positions of the Target Company will continue to be consolidated into the financial statements of the Company after Completion. As the effect of the Disposal will not result in a loss of the Company's control over the Target Company, the Disposal will be accounted for as an equity transaction and will not result in the recognition of any gain or loss in profit or loss.

The proceeds from the Disposal will be used for the general working capital purposes of the Group.

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 a connected person of the Company under the Listing Rules. CITS Corporation is a wholly-owned subsidiary of China CTS and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Share Transfer Agreement will constitute 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 Share Transfer 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 Share Transfer Agreement is only subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and the Shareholders' approval requirement 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 document and related operations, passenger transportation.

CITS Corporation is principally engaged in travel business and is a wholly-owned subsidiary of China CTS.

DEFINITIONS

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

“Board”	the board of directors of the Company
“China CTS”	China National Travel Service Group Corporation (中國旅遊集團公司), 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)
“CITS Corporation”	China International Travel Service Group Corporation (中國國旅集團有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of China CTS

“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)
“Completion”	Completion of the Disposal in accordance with the terms of the Share Transfer Agreement
“Concert Party Agreement”	the concert party agreement dated 24 August 2017 entered into between the Company and CITS Corporation pursuant to which CITS Corporation unconditionally agreed to vote all its interests in the Target Company in the same way as the Company after Completion
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited, a company directly or indirectly interested in 60.14% of the issued share capital of the Company and a connected person of the Company under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	The disposal of the Sale Capital as contemplated under the Share Transfer Agreement
“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
“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
“Sale Capital”	5% registered capital of the Target Company

“Share Transfer Agreement”	the share transfer agreement dated 24 August 2017 entered into between the Company and CITS Corporation in respect of the Disposal
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	港中旅(寧夏)沙坡頭旅遊景區有限責任公司 (CTS (Ningxia) Shapotou Tourist Spot Co., Ltd.), a sino-foreign joint venture established in the PRC and whose paid up capital is owned by the Company as to 51% as at the date of this announcement
“%”	percentage

Unless otherwise stated in this announcement, translation of RMB into HK\$ are made at the rate of RMB1.00 to HK\$1.131532 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
Zhang Fengchun
Chairman

Hong Kong, 24 August 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.