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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)**

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO  
THE DISPOSAL OF EQUITY INTEREST IN CHINA TRAVEL (HK & MACAU  
TOUR)**

**THE DISPOSAL**

The Board is pleased to announce that on 9 August 2019 (after trading hours), CTS Head Office entered into the Agreement with Alton, a wholly-owned subsidiary of the Company, China Travel (HK & Macau Tour), China Travel Air and CTSHK, indirect wholly-owned subsidiaries of the Company, pursuant to which, (i) Alton, China Travel (HK & Macau Tour), China Travel Air and CTSHK will undertake reorganisation (please refer to the “Reorganisation” section below for further details); and (ii) Alton agrees to dispose and CTS Head Office agrees to acquire 100% ordinary shares in China Travel (HK & Macau Tour) for a consideration of HK\$5,130,000.

**LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements. As China CTS holds 100% issued share capital in CTS (Holdings) and CTS (Holdings) is a substantial shareholder of the Company, according to the Listing Rules, China CTS is a connected person of the Company. As CTS Head Office is a wholly-owned subsidiary of China CTS, CTS Head Office is a connected person of the Company. Accordingly, the Disposal constitutes a connected transaction of the Company under the Listing Rules. As the applicable percentage ratios for the Disposal are all below 25%, and the total consideration for the Disposal is less than HK\$10,000,000, the Disposal is only subject to the reporting and announcement requirements but is exempt from the independent shareholders’ approval requirements under Chapter 14A.76(2) of the Listing Rules.

**Completion is subject to the fulfilment and/or waiver of the conditions precedent as set out in the Agreement. Accordingly, the reorganisation and the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

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## **THE AGREEMENT**

### **Date**

9 August 2019 (after trading hours)

### **Parties**

- (1) Alton, a wholly-owned subsidiary of the Company
- (2) China Travel (HK & Macau Tour), an indirect wholly-owned subsidiary of the Company
- (3) China Travel Air, an indirect wholly-owned subsidiary of the Company
- (4) CTSHK, an indirect wholly-owned subsidiary of the Company
- (5) CTS Head Office

### **Reorganisation**

In accordance with the Agreement, in order to streamline the shareholding structure of each Target Companies under the Disposal, as part of the transactions contemplated under the Agreement, the parties agree to reorganise according to the nature and sequence set out below, which involves the following procedures:

## ***THE FIRST STAGE***

In accordance with the Agreement, CTSHK agrees to dispose and China Travel (HK & Macau Tour) agrees to acquire the ownership, rights and equity interest of the Target Assets, the details of which are set out below:

### **Target Assets**

- (a) All fixed assets, other current assets and other related hire and purchase agreement(s) contained in the Agreement;
- (b) Business contracts contained in the Agreement that have not been fulfilled but are valid;
- (c) All customer(s) and supplier(s) information contained in the Agreement;
- (d) All accounts receivable contained in the Agreement;
- (e) All accounts payable contained in the Agreement;
- (f) All intellectual property rights contained in the Agreement;
- (g) Service operation contracts for computer booking software, collection processing and security transportation services provided by third parties contained in the Agreement;
- (h) All employees contained in the Agreement;
- (i) All effective lease contracts of the business operating properties and the rights to use the relevant properties contained in the Agreement;
- (j) All bank credits contained in the Agreement;
- (k) goodwill of travel agency business of CTSHK;
- (l) All record(s) kept related to the travel agency business of CTSHK;
- (m) Customer deposits, deposits, prepayments related to travel agency business only at 11:59 pm on the day before the completion date of the first stage, and all other deferred income not included in (d) above or all bank cash deposits and other cash on hand for any other similar obligation in the future; and
- (n) Ownership, claims and arrangements for each of the Target Assets and benefits under the Agreement.

The ownership of the above Target Assets and all other rights and interest (including but not limited to the risks of ownership, control and loss) shall be formally transferred to China Travel (HK & Macau Tour) at 12:00 am on the completion date of the first stage. Save for the businesses, light assets and current assets related to its travel agency business, all other businesses, assets (including but not limited to its accreditation, travel agency licenses, visa business and real estate) and interest and rights of any assets of CTSHK are not part of the Target Assets under the Agreement and shall continue to be owned by CTSHK.

## ***THE SECOND STAGE***

CTSHK and China Travel Air agree to dispose and China Travel (HK & Macau Tour) agrees to acquire all ordinary shares of CTS (HK) Mice Service.

CTSHK agrees to dispose and China Travel (HK & Macau Tour) agrees to acquire all equity interest in CTS (Shenzhen) Mice Service and all equity interest in CTS (Macau).

Alton agrees to dispose and China Travel (HK & Macau Tour) agrees to acquire all ordinary shares of China Travel Advertising.

## ***THE THIRD STAGE***

Alton agrees to dispose and China Travel (HK & Macau Tour) agrees to acquire all shares in CTS (Japan).

CTSHK agrees to dispose and China Travel (HK & Macau Tour) agrees to acquire all shares in CTS (Australia), CTS (Canada), CTS (Germany), CTS (Korea), CTS (New Zealand), CTS (Shenzhen Metropole), CTS (Singapore), CTS (U.K.) and CTS (U.S.A.) held by CTSHK or its trustee.

## **The Disposal**

Upon the completion of the reorganisation, China Travel (HK & Macau Tour) will hold (i) ownership and all other rights and interest of the Target Assets; and (ii) all ordinary shares of CTS (HK) Mice Service and China Travel Advertising, all equity interest of CTS (Shenzhen) Mice Service and CTS (Macau), and all shares in CTS (Japan), CTS (Australia), CTS (Canada), CTS (Germany), CTS (Korea), CTS (New Zealand), CTS (Shenzhen Metropole), CTS (Singapore), CTS (U.K.) and CTS (U.S.A.).

Upon the completion of the reorganisation, according to the Agreement, Alton agrees to dispose and CTS Head Office agrees to acquire all ordinary shares in China Travel (HK & Macau Tour).

## **Consideration**

The consideration for all ordinary shares in China Travel (HK & Macau Tour) is HK\$5,130,000, and will be paid by CTS Head Office to Alton in one lump sum on the completion date of the Disposal. The consideration is determined after arm's length negotiation between the parties with reference to the market value of equity interest in the Target Companies (including value of the Target Assets) as at 31 December 2018 (as set out in the valuation report prepared by the independent valuer) and taking into account of dividends amounted to in aggregate approximately HK\$9,100,000 that the Target Companies distributed to their shareholders in April 2019. As at 31 December 2018, the market value of equity interest in the Target Companies (including value of the Target Assets) was approximately HK\$14,230,000. The Directors (including the independent non-executive Directors) consider that the consideration of the disposal of the Target Companies (including the Target Assets) is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Conditions Precedent of the Disposal**

The completion of the Disposal under the Agreement is subject to the fulfillment of the following conditions precedent, including but not limited to:

- China Travel (HK & Macau Tour) (as purchaser), CTSHK, China Travel Air and Alton (as vendors) have completed all relevant matters in respect of the first, second and third stages in accordance with the provisions of the Agreement;
- The Company has convened the Board meeting in accordance with the Listing Rules approving the transfer of all ordinary shares in China Travel (HK & Macau Tour) to CTS Head Office through the resolutions of the directors, and the leasing of the relevant properties and the ticketing software computer systems owned by its subsidiary company(ies) to China Travel (HK & Macau Tour);
- CTS Head Office has attended to and made the relevant procedures and applications in accordance with applicable PRC laws and regulations regarding the acquisition of all ordinary shares in China Travel (HK & Macau Tour), and has obtained the consent of the relevant departments and completed the relevant foreign exchange registration procedures;
- Alton (as vendor) has obtained all the approvals and/or consents required to effectively sign, deliver and perform the Agreement (if applicable); and
- At any time prior to the completion, there are no laws, regulations, government actions, court orders, procedures, inquiries or investigations that would lead to the transfer of all ordinary shares in China Travel (HK & Macau Tour) to CTS Head Office (as the purchaser) illegal or otherwise prohibited or restricted.

Each party shall make reasonable efforts to ensure that all the above conditions precedent are satisfied before 31 December 2019 or a specific later date as determined between each party. Where practicable, CTS Head Office (as purchaser), may waive the conditions set out above by giving a written notice to other parties.

## **Completion**

Upon the completion of the transactions contemplated under the Agreement, the Target Companies will cease to be subsidiaries of the Company and the financial results of the Target Companies will not be included in the consolidated financial statements of the Company.

## VALUATION OF THE TARGET COMPANIES (INCLUDING THE TARGET ASSETS)

According to the valuation report prepared by China Faith Appraisers Co., Ltd. (the “**Independent Valuer**” or “**China Faith**”) dated 26 June 2019, an independent professional asset valuer appointed by the Group for the Disposal, the total value of the shareholders’ equity interest in the Target Companies (including the Target Assets) as at 31 December 2018 was approximately HK\$14,230,000. Given the aforesaid appraisal value, the corresponding appraisal value of equity interest in the Target Companies (including the Target Assets) to be disposed shall be approximately HK\$14,230,000.

As the valuation (the “**Target Companies Valuation**”) of the Target Companies (including the Target Assets) involves the use of the discounted cash flow methodology, the Target Companies Valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules (the “**Profit Forecast**”), and as such, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable. Set out below are the details of the valuation assumptions upon which the Target Companies Valuation were based:–

### Assumptions of valuation

Details of the major assumptions are set out below:

- (1) Open market assumption: open market assumption is a hypothesis made on the conditions of the market where the assets are intended to be entered as well as the impact on the assets in such market conditions. An open market is a fully-developed and perfect market. It refers to a competitive market with voluntary buyers and voluntary sellers where each of the buyer and the seller is offered with equal status in terms of the opportunity and time to have access to sufficient market information in this market. In addition, transactions between both the buyers and the sellers in this market are all conducted in a voluntary and rational way, without compulsion or unrestricted conditions;
- (2) Continuing use assumption: continuing use assumption is a hypothesis made on the conditions of the market where the asset are intended to entered as well as the state of the asset under such market conditions. Firstly, the assets to be appraised are in use, and it is further assumed that the assets that are in use will be in a status of continuous use. Under continuing use assumption, no consideration is given to the conversion of the use of the assets or the use of the assets under the best condition. The valuation results under this assumption are subject to a restricted scope of applicability;
- (3) Assumption on change of subjects of ownership: it is assumed that all assets to be evaluated are in the process of transaction, and the valuer will make estimation in a simulated market according to the transaction conditions of assets to be evaluated;
- (4) Going concern operation of enterprise: this assumption is a hypothesis made on condition that the overall assets of the enterprise are treated as the valuation target. This assumption assumes that the enterprise, as an operation entity, operates on a going concern basis in its external environment in accordance with its business goals. It is also assumed that the business operators of the enterprise should be accountable for, and are competent in, discharging their duties and responsibilities. It is also presumed that the enterprise operates lawfully, and is able to obtain appropriate profits to maintain its continuous operating ability;

- (5) There will be no material changes in the prevailing laws, regulations, policies the Target Companies comply with as well as the state's macro-economic conditions;
- (6) There will be no material change in the political, economic and social environment where the parties of this transaction are located, and there will be no other material adverse impact on the Group arising from other force majeure and unforeseeable factors;
- (7) The Target Companies will continue to operate legally, and will be consistent with the practical direction in terms of the scope, mode and decisive procedures of operation;
- (8) The Target Companies' operation plan and measures can be achieved as scheduled and on time, with expected benefits achieved;
- (9) The operator of the Target Companies is responsible and will comply with all relevant laws and regulations. The management of the Target Companies are also capable of assuming the duties;
- (10) The accounting policies to be adopted by the Target Companies will be in line with those adopted in preparing this report in all material respects;
- (11) Based on the existing mode and standard of management of the Target Companies, the scope and mode of operation will remain consistent with the existing direction;
- (12) There will be no material changes in the financial facility interest rate, taxation base, tax rates, exchange rate and policy charge etc.;
- (13) There will not be material adverse impact on the enterprise's production and operating activities arising from other force majeure and unforeseeable factors;
- (14) The enterprise's operation plan and measures can be achieved as scheduled and on time, with expected benefits achieved;
- (15) In the premise of maintaining the existing scale of operation, there will only be renewal on the current asset depletion (depreciation) in the future years. That means when the assets accumulated depreciation is close to the original asset value or when the net asset value is close to the anticipated asset salvage value, it will be assumed that the relevant asset has been depreciated and is required to be supplemented and renewed according to the original asset value. When there are costs of renewing the assets, the original asset salvage value will lapse. The renewed original asset value will be depreciated until the end of operation period, and the net depreciated value will be recovered;
- (16) Assume that the enterprise will not encounter major problems in the collection of accounts receivable in the future operating period;
- (17) The information provided by the relevant parties of the Company is true, legal and complete; and
- (18) No other force majeure factors cause a significant impact on the operation of the enterprise.

The Board has discussed with the Independent Valuer about different aspects including the bases and assumptions upon which the Target Companies Valuation had been prepared, and reviewed the Target Companies Valuation for which the Independent Valuer is responsible. The Board has also considered the assurance report dated 9 August 2019 addressed to the Company from KPMG, the reporting accountants of the Company, regarding the calculation of discounted future cash flows of the Target Companies Valuation. The Board is of the opinion that the Target Companies Valuation and its bases and assumptions, for which the Independent Valuer and the Directors are solely responsible, have been made after due and careful enquiry.

KPMG has also examined the calculations of the discounted future cash flows which the Target Companies Valuation involved. A letter in relation to report on Profit Forecast from the Board and the assurance report from KPMG are included in the appendices of this announcement for the purpose of Rules 14.60A and 14.62 of the Listing Rules.

## **EXPERTS AND CONSENTS**

The qualifications of the experts who have given their opinion and advice in this announcement are as follows:

<b>Name</b>	<b>Qualification</b>
China Faith Appraisers Co., Ltd.	an independent professional asset valuer appointed by the Company for the Disposal. It is a firm established upon approval of the Ministry of Finance of the PRC to provide asset valuation services in the PRC
KPMG	Certified Public Accountants

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of China Faith Appraisers Co., Ltd. and KPMG is a third party independent of the Group and its connected persons.

As at the date of this announcement, none of China Faith Appraisers Co., Ltd. and KPMG has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of China Faith Appraisers Co., Ltd. and KPMG has given and has not withdrawn its consent to the publication of this announcement with the inclusion of its opinion and advice and all references to its name in the form and context in which they are included.



## **INFORMATION OF THE TARGET COMPANIES**

### **China Travel (HK & Macau Tour)**

China Travel (HK & Macau Tour) is a company established in Hong Kong with limited liability on 15 June 1993, and is principally engaged in tourism business. As at the date of this announcement, the 500,000 issued ordinary shares of China Travel (HK & Macau Tour) is wholly-owned by Alton (in which 0.0002% of the interest is held by Well Extend Investment Ltd. for Alton in trust), and China Travel (HK & Macau Tour) is an indirect wholly-owned subsidiary of the Company. Upon the completion of the reorganisation, China Travel (HK & Macau Tour) will hold (i) ownership and all other rights and interests of the Target Assets; and (ii) all ordinary shares of CTS (HK) Mice Service and China Travel Advertising, all equity interest of CTS (Shenzhen) Mice Service and CTS (Macau), and all shares in CTS (Japan), CTS (Australia), CTS (Canada), CTS (Germany), CTS (Korea), CTS (New Zealand), CTS (Shenzhen Metropole), CTS (Singapore), CTS (U.K.) and CTS (U.S.A.).

### **China Travel Advertising**

China Travel Advertising is a company established in Hong Kong with limited liability on 7 January 1986, and is principally engaged in provision of printing and advertising agency services. As at the date of this announcement, the 10 issued ordinary shares of China Travel Advertising is wholly-owned by Alton (in which 10% of the ordinary shares is held by Allied Well Holdings Ltd. for Alton in trust), and China Travel Advertising is an indirect wholly-owned subsidiary of the Company. Upon the completion of the reorganisation, China Travel Advertising will become a wholly-owned subsidiary of China Travel (HK & Macau Tour).

### **CTS (Australia)**

CTS (Australia) is a company established in Australia with limited liability on 23 September 1985, and is principally engaged in provision of travel and air ticketing agency service. As at the date of this announcement, the registered capital of CTS (Australia) is AUD3,319,932 which is wholly-owned by CTSHK, and CTS (Australia) is an indirect wholly-owned subsidiary of the Company. Upon the completion of the reorganisation, CTS (Australia) will become a wholly-owned subsidiary of China Travel (HK & Macau Tour).

### **CTS (Canada)**

CTS (Canada) is a company established in Canada with limited liability on 20 January 1987, and is principally engaged in provision of travel and air ticketing agency service. As at the date of this announcement, the registered capital of CTS (Canada) is CAD3,162,750 which is wholly-owned by CTSHK, and CTS (Canada) is an indirect wholly-owned subsidiary of the Company. Upon the completion of the reorganisation, CTS (Canada) will become a wholly-owned subsidiary of China Travel (HK & Macau Tour).

### **CTS (Germany)**

CTS (Germany) is a company established in Germany with limited liability on 8 March 1991, and is principally engaged in provision of travel and air ticketing agency service. As at the date of this announcement, the registered capital of CTS (Germany) is EUR380,000 which is wholly-owned by CTSHK, and CTS (Germany) is an indirect wholly-owned subsidiary of the Company. Upon the completion of the reorganisation, CTS (Germany) will become a wholly-owned subsidiary of China Travel (HK & Macau Tour).

### **CTS (HK) Mice Service**

CTS (HK) Mice Service is a company established in Hong Kong with limited liability on 26 April 1999, and is principally engaged in travel agency business. As at the date of this announcement, the 500,000 issued ordinary shares of CTS (HK) Mice Service is owned as to 50% and 50% by China Travel Air and CTSHK respectively and CTS (HK) Mice Service is an indirect wholly-owned subsidiary of the Company. Upon the completion of the reorganisation, CTS (HK) Mice Service will become a wholly-owned subsidiary of China Travel (HK & Macau Tour).

### **CTS (Japan)**

CTS (Japan) is a company established in Japan with limited liability on 3 June 1985, and is principally engaged in travel agency business. As at the date of this announcement, the registered capital of CTS (Japan) is JPY95,000,000 which is wholly-owned by Alton, and CTS (Japan) is an indirect wholly-owned subsidiary of the Company. Upon the completion of the reorganisation, CTS (Japan) will become a wholly-owned subsidiary of China Travel (HK & Macau Tour).

### **CTS (Korea)**

CTS (Korea) is a company established in Korea with limited liability on 1 February 1996, and is principally engaged in provision of travel and air ticketing agency service. As at the date of this announcement, the registered capital of CTS (Korea) is KRW 500,000,000 which is wholly-owned by CTSHK, and CTS (Korea) is an indirect wholly-owned subsidiary of the Company. Upon the completion of the reorganisation, CTS (Korea) will become a wholly-owned subsidiary of China Travel (HK & Macau Tour).

### **CTS (Macau)**

CTS (Macau) is a company established in Macau with limited liability on 19 August 1994, and is principally engaged in provision of travel and air ticketing agency service. As at the date of this announcement, the registered capital of CTS (Macau) is MOP1,300,000 which is wholly-owned by CTSHK (in which 1% of interest is held by Sociedade De Fomento Predial Fu Wa (Macau), Limitada (an indirect wholly-owned subsidiary of the Company) for CTSHK in trust), and CTS (Macau) is an indirect wholly-owned subsidiary of the Company. Upon the completion of the reorganisation, CTS (Macau) will become a wholly-owned subsidiary of China Travel (HK & Macau Tour).

### **CTS (New Zealand)**

CTS (New Zealand) is a company established in New Zealand with limited liability on 18 May 2000, and is principally engaged in provision of travel and air ticketing agency service. As at the date of this announcement, the registered capital of CTS (New Zealand) is NZD30,000 which is wholly-owned by CTSHK, and CTS (New Zealand) is an indirect wholly-owned subsidiary of the Company. Upon the completion of the reorganisation, CTS (New Zealand) will become a wholly-owned subsidiary of China Travel (HK & Macau Tour).

### **CTS (Shenzhen Metropole)**

CTS (Shenzhen Metropole) is a company established in the PRC with limited liability on 19 June 2008, and is principally engaged in travel agency business. As at the date of this announcement, the registered capital of CTS (Shenzhen Metropole) is RMB8,500,000 which is wholly-owned by CTSHK, and CTS (Shenzhen Metropole) is an indirect wholly-owned subsidiary of the Company. Upon the completion of the reorganisation, CTS (Shenzhen Metropole) will become a wholly-owned subsidiary of China Travel (HK & Macau Tour).

### **CTS (Shenzhen) Mice Service**

CTS (Shenzhen) Mice Service is a company established in the PRC with limited liability on 6 January 2016, and is principally engaged in mice and travel agency business. As at the date of this announcement, the registered share capital of CTS (Shenzhen) Mice Service is RMB1,000,000 which is wholly-owned by CTSHK and CTS (Shenzhen) Mice Service is an indirect wholly-owned subsidiary of the Company. Upon the completion of the reorganisation, CTS (Shenzhen) Mice Service will become a wholly-owned subsidiary of China Travel (HK & Macau Tour).

### **CTS (Singapore)**

CTS (Singapore) is a company established in Singapore with limited liability on 10 December 1986, and is principally engaged in property leasing business. As at the date of this announcement, the registered capital of CTS (Singapore) is SGD6,740,000 which is wholly-owned by CTSHK, and CTS (Singapore) is an indirect wholly-owned subsidiary of the Company. Upon the completion of the reorganisation, CTS (Singapore) will become a wholly-owned subsidiary of China Travel (HK & Macau Tour).

### **CTS (U.K.)**

CTS (U.K.) is a company established in the United Kingdom with limited liability on 16 September 1985, and is principally engaged in provision of travel and air ticketing agency service. As at the date of this announcement, the registered capital of CTS (U.K.) is GBP1,558,000 which is wholly-owned by CTSHK, and CTS (U.K.) is an indirect wholly-owned subsidiary of the Company. Upon the completion of the reorganisation, CTS (U.K.) will become a wholly-owned subsidiary of China Travel (HK & Macau Tour).

## CTS (U.S.A.)

CTS (U.S.A.) is a company established in the United States with limited liability on 22 November 1982, and is principally engaged in provision of travel and air ticketing agency service. As at the date of this announcement, the issued shares of 9,465,959 shares of CTS (U.S.A.) is wholly-owned by CTSHK (in which interest in 3,155,320 shares and 3,155,319 shares is held by Consfit Investment Limited (an indirect wholly-owned subsidiary of the Company) and Gether Ease Investment Limited (an indirect wholly-owned subsidiary of the Company) respectively for CTSHK in trust), and CTS (U.S.A.) is an indirect wholly-owned subsidiary of the Company. Upon the completion of the reorganisation, CTS (U.S.A.) will become a wholly-owned subsidiary of China Travel (HK & Macau Tour).

## FINANCIAL INFORMATION OF THE TARGET COMPANIES (INCLUDING THE TARGET ASSETS)

The following set out certain combined financial information of the Target Companies (including the Target Assets) for the two years ended 31 December 2018:

	<b>As at 31 December 2017</b> <b>(audited)</b> <i>HK\$'000</i>	<b>As at 31 December 2018</b> <b>(audited)</b> <i>HK\$'000</i>
Total asset value	468,789	414,506
Net asset value	11,599	18,878

  

	<b>For the year ended</b> <b>31 December 2017</b> <b>(audited)</b> <i>HK\$'000</i>	<b>For the year ended</b> <b>31 December 2018</b> <b>(audited)</b> <i>HK\$'000</i>
Net (loss)/profit before tax	(3,637)	15,859
Net (loss)/profit after tax	(5,660)	11,990

## REASONS FOR ENTERING INTO THE AGREEMENT AND USE OF PROCEEDS

The principal business 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 and passenger transportation operations.

The Company adheres to the strategic development direction of becoming “a first-class tourist destination investment and operation service provider”, focusing on tourism resources and the customer base, and optimising strategic development plan. On 28 December 2018, the Company and China CTS entered into a management services master agreement pursuant to which the Group will provide management services to the real estate segment (including tourism real estate) of the parent company, which will strengthen interaction between the Company’s travel destination operations and tourism real

estate business, and further implement the Company's strategic positioning and layout. At the same time, the Group continued to sort out and optimise the existing asset structure, waiting for opportunities to withdraw from non-advantageous businesses and improve the efficiency of asset operations.

With the rapid development of the online travel industry and the shift of residents' tourism consumption patterns, the traditional travel agency industry faces greater development challenges, market competition is fierce, and the profit margin of the Target Companies is squeezed. The Target Companies currently use various properties of the Group as the outlets and offices, and the Target Companies are not required to pay the rents. However, after the completion of the Agreement, if the Target Companies continue to use the properties, it will constitute a continuing connected transaction of the Group and the Target Companies will be required to pay rent according to market value. A loss would have occurred if the Target Companies were required to pay rent according to market value in 2017 and 2018. In addition, the core business of the Target Companies and the Group's travel destination operations and tourism real estate business lacked synergies and did not significantly contribute to the growth of the core business of the Group.

The Directors (including independent non-executive Directors) are of the view that the Disposal will provide an opportunity for the Group to exit the non-advantageous business of the Target Companies at a fair and reasonable price, which will help improve the Group's existing structure and enhance the property income. At the same time, after streamlining the business structure, the Group will be able to focus on developing core businesses with better profit potential and further clarify strategic positioning.

The Company intends to use the proceeds from the Disposal as the Group's general working capital purpose.

## **CONFIRMATION FROM THE BOARD**

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

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, as Mr. Fu Zhuoyang is a director of CTS (Holdings), he is regarded as having material interest in the transaction and has thereby abstained from voting on the Board resolution approving the Agreement and the transactions contemplated thereunder. Mr. Jiang Hong, Mr. Chen Xianjun and Mr. Yang Hao hold executive and senior management positions at China CTS or its subsidiaries and have therefore voluntarily abstained from voting on the Board resolution approving the Agreement and the transactions contemplated thereunder. Save as disclosed above, none of other Directors has a material interest in the Agreement and the transactions contemplated thereunder and accordingly, none of them was required to abstain from voting on the Board resolution for considering and approving the same.

## **INFORMATION ABOUT THE PARTIES TO THE AGREEMENT**

Alton is a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company. It is principally engaged in investment holding business.

China Travel (HK & Macau Tour) is a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in tourism business.

China Travel Air is a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in provision of air ticketing service.

CTSHK is a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in travel agency, travel document and related business.

CTS Head Office is a company incorporated under the laws of the PRC with limited liability, its share capital is 100% directly owned by China CTS and a connected person of the Company under the Listing Rules. CTS Head Office is principally engaged in travel agency and visa business.

## **FINANCIAL IMPACT OF THE DISPOSAL**

Upon the completion of the transactions contemplated under the Agreement, the Group will no longer hold any equity interest in the Target Companies, and the Target Companies will cease to be subsidiaries of the Company.

According to (i) net asset value of the Target Companies (including the Target Assets) as at 31 December 2018; (ii) the Target Companies distributed dividends amounted to in aggregate approximately HK\$9,100,000 to their shareholders in April 2019; and (iii) consideration of HK\$5,130,000, the Group expects to record a loss of approximately HK\$6,200,000 in relation to the Disposal (including the realisation of exchange fluctuation reserve of HK\$1,550,000). The actual amount of profit or loss that the Group will ultimately record for the Disposal will depend on the net asset value of China Travel (HK & Macau Tour) and its subsidiaries on the date of completion of the Agreement and may therefore differ from the above amounts. Although the Disposal recorded loss, in view of the reasons for the Disposal as set out in the paragraph headed “Reasons for entering into the Agreement and Use of Proceeds” above, the Company is of the view that the Disposal will be in the interest of the Company and the Shareholders as a whole, as it will improve the asset structure and profitability of the Group’s assets in the long run.

## LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements. As China CTS holds 100% issued share capital in CTS (Holdings) and CTS (Holdings) is a substantial shareholder of the Company, according to the Listing Rules, China CTS is a connected person of the Company. As CTS Head Office is a wholly-owned subsidiary of China CTS, CTS Head Office is a connected person of the Company. Accordingly, the Disposal constitutes a connected transaction of the Company under the Listing Rules. As the applicable percentage ratios for the Disposal are all below 25%, and the total consideration for the Disposal is less than HK\$10,000,000, the Disposal is only subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A.76(2) of the Listing Rules.

**Completion is subject to the fulfilment and/or waiver of the conditions precedent as set out in the Agreement. Accordingly, the reorganisation and the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

“Agreement”	a conditional assets and equity interest transfer master agreement entered into between CTS Head Office, Alton, a wholly-owned subsidiary of the Company, China Travel (HK & Macau Tour), China Travel Air and CTSHK, indirect wholly-owned subsidiaries of the Company, on 9 August 2019 (after trading hours)
“Alton”	Alton Services Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“AUD”	Australian dollars, the lawful currency of Australia
“Board”	the Board of the Company
“CAD”	Canadian dollars, the lawful currency of Canada

“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 Travel Advertising”	China Travel Advertising Hong Kong Limited, a company established in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“China Travel Air”	China Travel Air Service Hong Kong Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“China Travel (HK & Macau Tour)”	China Travel (HK & Macau Tour) Management Hong Kong Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“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 (Australia)”	China Travel Service (Australia) Pty Limited, a company established in Australia with limited liability and an indirect wholly-owned subsidiary of the Company
“CTS (Canada)”	China Travel Service (Canada) Inc., a company established in Canada with limited liability and an indirect wholly-owned subsidiary of the Company
“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited, a company directly or indirectly interested in 60.05% of the issued share capital of the Company and a connected person of the Company under the Listing Rules
“CTS Head Office”	China Travel Service Co., Ltd., a company incorporated under the laws of the PRC with limited liability, is a connected person of the Company
“CTS (Germany)”	China Travel and Trading (Deutschland) GmbH, a company established in Germany with limited liability and an indirect wholly-owned subsidiary of the Company



“CTS (HK) Mice Service”	CTS (HK) Mice Service Company Limited., a company established in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“CTS (Japan)”	China Travel Service (Japan) Co., Ltd., a company established in Japan with limited liability and an indirect wholly-owned subsidiary of the Company
“CTS (Korea)”	China Travel Service (Korea) Co., Ltd., a company established in Korea with limited liability and an indirect wholly-owned subsidiary of the Company
“CTS (Macau)”	Agencia De Viagens E Turismo Grand, Limitada, a company established in Macau with limited liability and an indirect wholly-owned subsidiary of the Company
“CTS (New Zealand)”	China Travel Service (N.Z.) Ltd., a company established in New Zealand with limited liability and an indirect wholly-owned subsidiary of the Company
“CTS (Shenzhen Metropole)”	CTSHK Metropole International Travel Service (Shenzhen) Co., Ltd., a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“CTS (Shenzhen) Mice Service”	CTS (Shenzhen) International Mice Service Company Ltd., a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“CTS (Singapore)”	Singa China Travel Service Pte Ltd., a company established in Singapore with limited liability and an indirect wholly-owned subsidiary of the Company
“CTS (U.K.)”	China Travel Service (U.K.) Ltd., a company established in the United Kingdom with limited liability and an indirect wholly-owned subsidiary of the Company
“CTS (U.S.A.)”	U.S. China Travel Service, Inc., a company established in the United States of America with limited liability and an indirect wholly-owned subsidiary of the Company
“CTSHK”	China Travel Service (Hong Kong) Limited, a company established in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Directors”	the directors of the Company

“Disposal”	the disposal of equity interest in the Target Companies and the Target Assets from Alton to CTS Head Office in accordance with the Agreement
“EUR”	Euros, the lawful currency of the European Union
“Group”	the Company and its subsidiaries
“GBP”	British pound sterling, the lawful currency of the United Kingdom
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JPY”	Japanese Yen, the lawful currency of Japan
“KRW”	Korean Won, the lawful currency of the Republic of Korea
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOP”	Macao Pataca, the lawful currency of Macau Special Administrative Region of the PRC
“NZD”	New Zealand dollars, the lawful currency of New Zealand
“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
“Shares”	shares of the Company
“Shareholders”	shareholders of the Company
“SGD”	Singapore dollars, the lawful currency of the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Target Assets”	According to the Agreement, certain Hong Kong assets related to travel agency business of CTSHK

“Target Companies”	CTS (HK) Mice Service, CTS (Shenzhen) Mice Service, CTS (Macau), China Travel Advertising, CTS (Japan), CTS (Australia), CTS (Canada), CTS (Germany), CTS (Korea), CTS (New Zealand), CTS (Shenzhen Metropole), CTS (Singapore), CTS (U.K.), CTS (U.S.A.) and China Travel (HK & Macau Tour)
“US\$”	United States dollars, the lawful currency of the United States of America

By Order of the Board  
**China Travel International Investment Hong Kong Limited**  
**Fu Zhuoyang**  
*Chairman*

Hong Kong, 9 August 2019

*As at the date of this announcement, the Board comprises seven executive Directors, namely Mr. Fu Zhuoyang, Mr. Lo Sui On, Mr. Jiang Hong, Mr. Chen Xianjun, Mr. You Cheng, Mr. Yang Hao and Mr. Wu Qiang and four independent non-executive Directors, namely Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke, Mr. Huang Hui and Mr. Chen Johnny.*

## APPENDIX 1 – LETTER FROM THE BOARD

9 August 2019

The Listing Division  
The Stock Exchange of Hong Kong Limited  
12th Floor, Two Exchange Square  
8 Connaught Place  
Central, Hong Kong

Dear Sirs,

### **Discloseable and Connected Transaction – Disposal of Equity Interest in the Target Companies**

We refer to the valuation report dated 26 June 2019 prepared by China Faith Appraisers Co., Ltd. (the “**Independent Valuer**”) in relation to the valuation of the market value of equity interest in the Target Companies (including the Target Assets) as at 31 December 2018 (the “**Valuation**”). As the discounted cash flow method was adopted in the Valuation, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and accordingly, Rules 14.60A and 14.62 of the Listing Rules are applicable. The major assumptions upon which the Valuation is based has been stated in this announcement.

We have discussed with the Independent Valuer about different aspects including the bases and assumptions upon which the Valuation has been prepared, and reviewed the Valuation for which the Independent Valuer is responsible. We have also considered the report from our reporting accountant, KPMG, regarding whether the Valuation was compiled properly so far as the calculations are concerned.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, we are of the opinion that the Valuation prepared by the Independent Valuer has been made after due and careful enquiry.

Yours faithfully,  
For and on behalf of the board of directors of  
**China Travel International Investment Hong Kong Limited**  
**Fu Zhuoyang**  
*Chairman*

## APPENDIX 2 – REPORT FROM KPMG

*The following is the text of a report received from the Company’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this announcement.*



8th Floor, Prince’s Building  
10 Chater Road  
Central, Hong Kong

### **REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF THE TARGET COMPANIES (AS DEFINED BELOW)**

#### **TO THE BOARD OF DIRECTORS OF CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED**

We refer to the discounted future cash flows on which the business valuation (the “**Valuation**”) dated 26 June 2019 prepared by China Faith Appraisers Co., Ltd. in respect of the appraisal of the fair value of China Travel (HK & Macau Tour) Management Hong Kong Limited, CTS (HK) Mice Service Company Limited, CTS (Shenzhen) International Mice Service Company Ltd., Agencia De Viagens E Turismo Grand, Limitada, China Travel Advertising Hong Kong Limited, China Travel Service (Japan) Co., Ltd., China Travel Service (Australia) Pty Limited, China Travel Service (Canada) Inc., China Travel and Trading (Deutschland) GmbH, China Travel Service (Korea) Co., Ltd., China Travel Service (N.Z.) Ltd., CTSHK Metropole International Travel Service (Shenzhen) Co., Ltd., Singa China Travel Service Pte Ltd., China Travel Service (U.K.) Ltd., U.S. China Travel Services, Inc. and certain Hong Kong assets related to travel agency operation of China Travel (Hong Kong) Limited (together the “**Target Companies**”) as at 31 December 2018 is based. The Valuation is prepared based in part on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

#### **Directors’ Responsibilities**

The directors of China Travel International Investment Hong Kong Limited (the “**Directors**”) are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

#### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants’ Responsibilities**

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

### **Basis of Opinion**

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

### **Opinion**

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

### **Other matters**

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Target Companies or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

### **KPMG**

*Certified Public Accountants*  
Hong Kong  
9 August 2019