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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 TRANSACTION ACQUISITION OF 34% EQUITY INTEREST IN THE TARGET COMPANY

THE ACQUISITION

The Board is pleased to announce that on 24 December 2020, CTS Scenery Resort (as purchaser), New Century Tourism (as seller) and the Target Company entered into the Equity Purchase Agreement, pursuant to which CTS Scenery Resort has conditionally agreed to purchase and New Century Tourism has conditionally agreed to dispose of the Target Equity at the Consideration of RMB391,000,000.

Upon Completion, the Company will indirectly hold 34% of the equity interest in the Target Company and the financial results of the Target Group will not be consolidated into the consolidated financial statements of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition is or are more than 5% but less than 25%, the entering into of the Equity Purchase Agreement constitutes a discloseable transaction of the Company and will therefore, be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 24 December 2020, CTS Scenery Resort (as purchaser), New Century Tourism (as seller) and the Target Company entered into the Equity Purchase Agreement, pursuant to which CTS Scenery Resort has conditionally agreed to purchase and New Century Tourism has conditionally agreed to dispose of the Target Equity at the Consideration of RMB391,000,000 (the “**Consideration**”).

THE EQUITY PURCHASE AGREEMENT

The principal terms of the Equity Purchase Agreement are set out below:

Date

24 December 2020

Parties

- (1) CTS Scenery Resort (as purchaser);
- (2) New Century Tourism (as seller); and
- (3) Target Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, New Century Tourism, the Target Company and each of their respective ultimate beneficial owners are Independent Third Parties.

Subject matters

- (1) The parties agreed that based on the valuation report issued by a professional valuer, the appraised value of the Target Group as at 30 June 2020, which was determined using income approach, was RMB1,049,984,300. Taking into account values of the Target Group which cannot be evaluated specifically, such as brand premium and management team in the amount of RMB100,015,700, the parties agreed that the overall valuation of the Target Group was RMB1,150,000,000.
- (2) Based on the above overall valuation of the Target Group, CTS Scenery Resort has conditionally agreed to purchase and New Century Tourism has conditionally agreed to dispose of the Target Equity, the interest of which includes any undistributed profits and related interests before and after the transfer of the equity interest (as defined below), at the Consideration.
- (3) For the avoidance of doubt, all parties agree that the overall valuation of the Target Group includes but not limited to Hangzhou New Century Senbo Hotel, Deqing New Century Senbo, Hangzhou New Century Senbo Tourism, New Century Senbo Tourism IP and any of its related implementation entities in the present and the future. The Consideration is determined based on the sum of the aforementioned assets, equity and concepts.

Payment terms

The Consideration shall be settled in two instalments as follows:

- (1) On satisfaction of all the conditions precedent or waived in writing by CTS Scenery Resort, CTS Scenery Resort shall transfer RMB117,300,000, being 30% of the Consideration, to the designated bank account of New Century Tourism within 10 business days after the date on which all the conditions precedent are satisfied or deemed as satisfied (the “**Delivery Date**”).
- (2) Within 10 business days after completion of business registration of the Acquisition, CTS Scenery Resort shall transfer RMB273,700,000, being the remaining balance (70%) of the Consideration to the designated bank account of New Century Tourism.

Completion shall take place on the date on which CTS Scenery Resort has paid the remaining balance of the Consideration.

Business registration

- (1) the business registration in respect of the Acquisition shall be performed by the Target Company with the assistance of New Century Tourism and CTS Scenery Resort.
- (2) the Target Company shall obtain the renewed business license in respect of the Acquisition within 15 days after settlement of the first instalment of the Consideration by CTS Scenery Resort.

Conditions precedent

Unless waived in writing by CTS Scenery Resort, the payment of the first instalment of the Consideration by CTS Scenery Resort will be subject to the fulfilment of the conditions precedent as stated in the Equity Purchase Agreement, the major conditions precedent include, but not limited to, the following:

- (1) there are no laws and regulations, and judgments, adjudications, rulings or injunctions from courts or relevant government authorities that would restrict, prohibit, or cancel the Acquisition, nor any pending litigations, arbitrations, judgments, adjudications, rulings or injunctions that have or will have a material adverse effect on New Century Tourism and the Target Company, save for those disclosed by CTS Scenery Resort when signing the Equity Purchase Agreement.
- (2) from the date of the Equity Purchase Agreement to the Delivery Date, the representations and warranties made by New Century Tourism and the Target Company in the Equity Purchase Agreement remain fully true, complete and accurate, and the undertakings as stipulated in the Equity Purchase Agreement having been fulfilled.
- (3) New Century Tourism and the Target Company having performed and complied with all agreements, obligations and conditions contained in the Equity Purchase Agreement or which required to be performed or complied with by the Equity Purchase Agreement on or before the Delivery Date in all material aspects, and there being no material breach of the Equity Purchase Agreement.

- (4) from the date of the Equity Purchase Agreement to the Delivery Date, there being no events, facts, conditions, changes or other situations that have occurred or have been reasonably foreseen (subject to the provision of forecast opinions of third-party professional institutions recognized by New Century Tourism and CTS Scenery Resort) that may have a material adverse effect on the Target Group's assets, liabilities and normal operations.
- (5) the current shareholders of the Target Company having duly approved the transactions contemplated under the Equity Purchase Agreement, and validly waived their right of first refusal and the tag-along rights in respect of the transactions under the Equity Purchase Agreement.
- (6) the parties having successfully completed the signing of the Equity Purchase Agreement and any other documents related to the Acquisition.
- (7) the Target Company having signed employment contracts and other relevant agreements with the majority of core employees.
- (8) the Target Group having entered into a loan agreement in relation to the capital borrowings between the Target Group and New Century Tourism.
- (9) the Target Company having entered into a trademark transfer agreement with New Century Tourism in respect of the transfer from New Century Tourism of its 12 "Senbo" related trademarks and 21 "Senbo" related trademarks at the stage of application or its application rights to the Target Company at no consideration.

Right of First Refusal

- (1) New Century Tourism shall not transfer its directly or indirectly held equity interest in the Target Company to any third parties without the written consent of CTS Scenery Resort. Prior to the proposed transfer of equity interest, a written notice (the "**Transfer Notice**") must be given to CTS Scenery Resort by New Century Tourism stating, among other things, the amount of equity interests (the "**Sales Equity**") which New Century Tourism would like to sell and related other terms and conditions.
- (2) CTS Scenery and each of the shareholders of the Target Company enjoy a right of first refusal in respect of the Sales Equity on a pro-rata basis and on such terms and conditions stated in the Transfer Notice.

Tag-along rights

- (1) If CTS Scenery Resort did not exercise or waived the above-mentioned right of first refusal, CTS Scenery Resort is entitled to exercise its tag-along rights to sell a proportion of the equity interest in the Target Company held by it determined with reference to a formula stated in the Equity Purchase Agreement at the same price and terms and conditions at which New Century Tourism transfers the equity interest in the Target Company held by it to the third parties.

- (2) If (i) the third party who intends to acquire the equity interests refuses to purchase the equity interests that CTS Scenery Resort intends to transfer; or (ii) the third party fails to complete the purchase of the equity interests that CTS Scenery Resort intends to transfer on or before the completion of the purchase of the equity interests to be transferred by New Century Tourism, New Century Tourism shall not transfer the equity interests to that third party, unless New Century Tourism completes the intended purchase of tag along equity of CTS Scenery Resort in accordance with the equity transfer price stated in the Transfer Notice and other terms and conditions on or before the completion of the those transfers.

Unrestricted transfer

All parties agree that, regardless of any provisions contrary to the Equity Purchase Agreement or other related documents, CTS Scenery Resort has the right to freely transfer its equity interests in the Target Company to its associates. New Century Tourism shall not impose any restrictions on such equity transfer and irrevocably agrees to waive its right of first refusal.

Performance guarantee

- (1) New Century Tourism has provided a performance guarantee to CTS Scenery Resort for a term of 4 years and has made the following performance commitments: the Target Company shall not be at a loss for the year of 2020 and the accumulated net profit during the period from year 2021 to 2023 shall not be less than RMB150 million (the “**Committed Performance**”). Financial data is to be audited by an accounting firm recognized by CTS Scenery Resort.
- (2) If the Target Company records losses for the year of 2020, New Century Tourism shall, on a dollar for dollar basis, make compensation for the amount of loss to the Target Company in the form of donation. If the Target Company’s accumulated net profit from year 2021 to 2023 is less than RMB150 million, CTS Scenery Resort has the right to require New Century Tourism to buy back the Target Equity held by CTS Scenery Resort based on the Consideration plus an interest rate of 8.5% per annum (simple interest).
- (3) If the actual audited net profit reaches the Committed Performance but failed to reach 120% of the Committed Performance (i.e. accumulated net profit of RMB180 million during the period from year 2021 to 2023), CTS Scenery Resort is entitled to launch a tender offer to New Century Tourism for the then equity of the Target Company held by New Century Tourism, with the offer price not less than the equity proportion of the tender offer x the Target Group’s overall valuation of the Acquisition (RMB1,150 million) x (1+N x 8.5%) (N = n/360, n = total days from the date of Completion to the date of signing the formal agreement of the tender offer). New Century Tourism has the right to decide whether or not to accept the offer and if not, CTS Scenery Resort has the right to require New Century Tourism to buy back the Target Equity held by CTS Scenery Resort based on the Consideration plus an interest rate of 8.5% per annum (simple interest), the repurchase price of which shall be deducted from the dividend of CTS Scenery Resort received from the Target Company.

- (4) On the basis that, the actual audited accumulated net profit of the Target Company exceeds RMB180 million from year 2021 to 2023, and there are no material adverse changes on various material matters of the Target Company including assets, business, team, brand, etc., and there are no breach of the Equity Purchase Agreement by the Target Company and New Century Tourism, while New Century Tourism having undertaken to comply with the requirements of the stock exchange in the place where CTS Scenery Resort is listed in respect of the acquisition of equity interest/material acquisition of assets, and reorganisation, including but not limited to undertaking performance commitments, etc., CTS Scenery Resort has the right to launch a tender offer for the then equity of the Target Company held by New Century Tourism to New Century Tourism within 3 months after the issuance of the audit report, with the offer price being the long-term valuation of the Target Company (being 19 times of the audited net profit in 2023 with an upper limit of not more than RMB1.9 billion) x the equity proportion of the tender offer. If the tender offer is not accepted by New Century Tourism, CTS Scenery Resort has the right to require New Century Tourism to buy back the Target Equity held by CTS Scenery Resort based on the Consideration plus an interest rate of 8.5% per annum (simple interest), the repurchase price of which shall be deducted from the dividend of CTS Scenery Resort received from the Target Company.

Qualified Listing

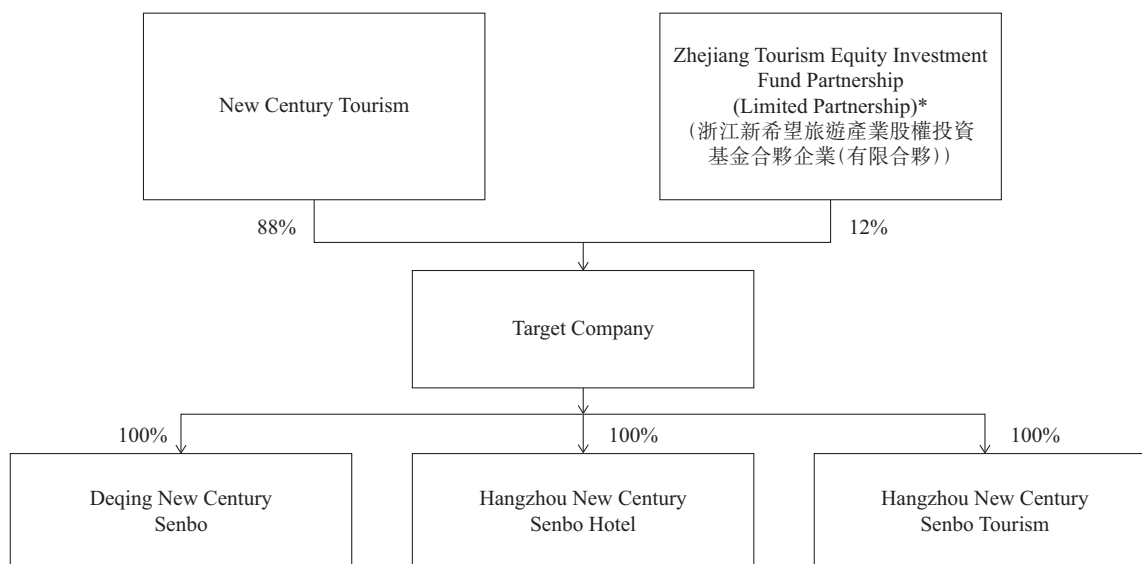
New Century Tourism and the Target Company individually and jointly undertake that, they shall use their best endeavour to procure the Target Company's submission of the application materials for an initial public offering (limited to main boards, SME and ChiNext of the Shanghai Stock Exchange and Shenzhen Stock Exchange) to the CSRC by 31 December 2025.

Redemption Rights

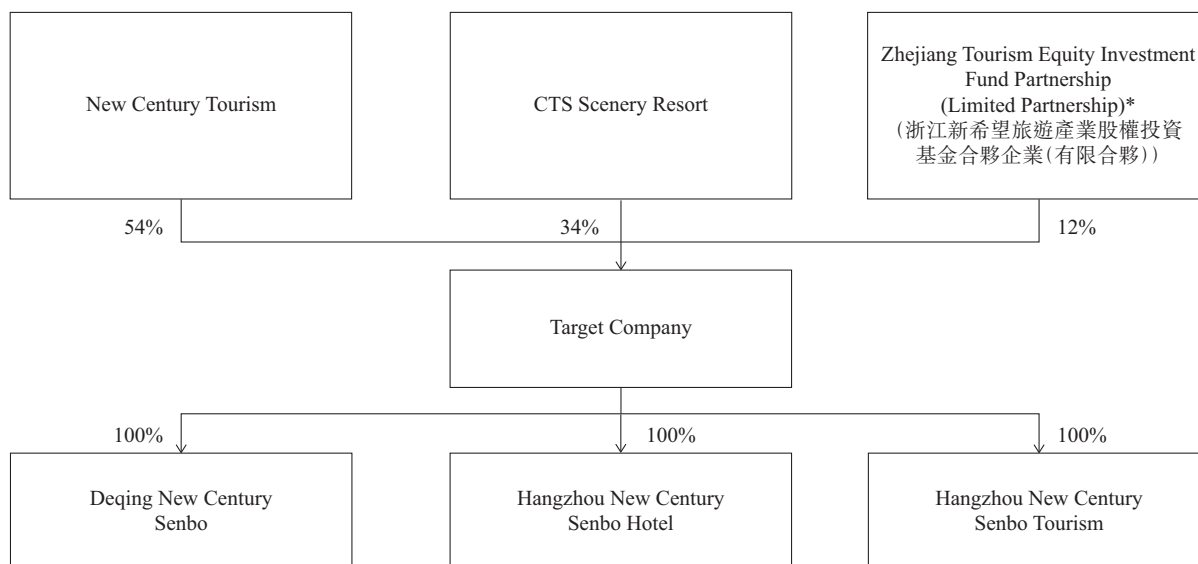
If (i) New Century Tourism or the Target Company commits serious breach of the Equity Purchase Agreement; or (ii) the complementary facilities such as vacation chalets and ballrooms intended to be leased by "Hangzhou New Century Senbo Tourism Resorts" and "Moganshan New Century Senbo Tourism Resorts" under the subsidiaries of the Target Company are, for any reason, under mandatory suspension, or the lease relationship will be discharged or terminated in foreseeable future, causing it inoperable, could not be used for more than 6 months and having a significant impact on the net profit of the Target Group; (iii) save as those disclosed to CTS Scenery Resort, New Century Tourism, its de facto controllers or its associates are engaged in businesses that compete with the Target Group; or (iv) New Century Tourism misappropriated or infringed funds or properties exceeding 20% of the latest audited net assets of the Target Group, CTS Scenery Resort is entitled to choose between (a) to require New Century Tourism or the Target Company to rectify or resolve the above-mentioned matters within a period of time; or (b) to require New Century Tourism to buy back, in whole or in part, the equity interests of the Target Company then held by CTS Scenery Resort in accordance with the terms of the purchase price set out in the Equity Purchase Agreement.

INFORMATION OF THE TARGET GROUP

The organisation chart of the Target Group as at the date of this announcement is as follows:



The organisational chart of the Target Group immediately after Completion will be as follows:



The audited consolidated financial statements of the Target Group for the two years ended 31 December 2019 and six months ended 30 June 2020, which has been prepared on the basis of the PRC Accounting Standards for Business Enterprises, is set out below:

	Year ended 31 December		Six months
	2018	2019	ended 30 June
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(audited)	(audited)	(audited)
Revenue	465	236,413	114,638
Profit/(loss) before tax	(27,172)	(43,435)	(44,408)
Profit/(loss) after tax	<u>(22,669)</u>	<u>(33,703)</u>	<u>(42,619)</u>
	As at 31 December		As at 30 June
	2018	2019	2020
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(audited)	(audited)	(audited)
Total assets	1,392,017	2,162,690	1,970,455
Net assets	<u>335,327</u>	<u>361,624</u>	<u>306,535</u>

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company has positioned micro-vacation project in the mid-to-high end market. It advocates the provision of short-distance vacation products around the city to the mid-to-high end customer group, leading the consumption upgrade. It established a characteristic, low-cost and quality-focused value supporting system. The Target Group owns sound tourism IP and high reputation products that attract the market, as well as the reproducible model recognized by the industry and excellent performance. It is also an implementation entity of New Century Senbo Tourism IP. The Company's acquisition and merger of the mature tourism IP of the Target Company through its subsidiaries is beneficial for promoting the leapfrog development of the Company's tourism real estate businesses.

As a leading private enterprise in the domestic hotel industry, New Century Tourism is a tourism industry investment and operation group which constantly pursues advanced value. The in-depth cooperation between the Company and New Century Tourism is an important attempt to promote the mixed ownership reform. Through the synergy with the existing businesses, it will be beneficial in stimulating the endogenous motivation and vitality of the Group so as to improve the Group's capital structure and property rights structure, as well as enhance its efficiency and competitiveness.

After Completion, the Company and New Century Tourism will work closely to establish a mutually beneficial partnership, where the Company will leverage on its investment and operational advantages in market, management and capital in the field of cultural tourism and real estate, and New Century Tourism will fully utilize the established brand of “New Century Senbo” and the project comprehensive management and service advantage. Both parties will strive to fully coordinate in terms of investment and operation of cultural tourism and real estate and achieve good economic and social benefits, so as to jointly build the “New Century Senbo Tourism Resorts” series of products into a benchmark project of the Group in terms of investment and operation of travel destination projects.

Upon Completion, the Target Company will be owned indirectly as to 34% by the Company. Since the Group does not have the control over the board of directors of the Target Group after Completion, the Target Company will not be accounted as a subsidiary of the Group and the financial results of the Target Group will not be consolidated into the consolidated financial statements of the Group.

The Directors (including the independent non-executive Directors) consider the terms of the Equity Purchase Agreement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE PARTIES

The principal business activities of the Group include operations of travel destinations (including hotels, theme parks, natural and cultural spots, and leisure resorts), travel agency, travel documents and related operations, passenger transportation operations.

CTS Scenery Resort is principally engaged in the investment, development and management of resort hotel, scenic spots, cable car systems and skiing facilities.

New Century Tourism is a company established in the PRC with limited liability and holds 88% equity interest in the Target Company as at the date of this announcement. It is a tourism industry investment and operation group which constantly pursues advanced value, with hotel industry as the leading industry, real estate industry as the pillar industry and complemented by auxiliary industries such as property management. New Century Tourism has been ranked among “China’s Top 500 Private Enterprises”, “Top 20 China Tourism Groups”, etc. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the ultimate beneficial owners of New Century Tourism are Mr. Chen Miaolin, Mr. Chen Canrong and Mr. Zhang Guanming, who are Independent Third Parties.

The Target Company is a company established in the PRC with limited liability and owned as to 88% and 12% by New Century Tourism and Zhejiang Tourism Equity Investment Fund Partnership (Limited Partnership), respectively, as at the date of this announcement. The Target Company is mainly engaged in industrial investment, development of tourism projects, management of tourism projects and consultation services, building of tourism infrastructures, corporate consultation management, hotel booking, food and beverage services, and ticket agent.

Deqing New Century Senbo is mainly engaged in tourism resort services, which include three segments of accommodation, food and beverage, and amusement parks. It operates and manages the “Moganshan New Century Senbo Tourism Resorts”.

Hangzhou New Century Senbo Hotel is mainly engaged in tourism resort services, which include three segments of accommodation, food and beverage, and amusement parks. It operates and manages the “Hangzhou New Century Senbo Tourism Resorts”.

Hangzhou New Century Senbo Tourism is mainly engaged in the development of tourism resort projects.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, New Century Tourism, the Target Company and each of their respective ultimate beneficial owners are Independent Third Parties.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition is or are more than 5% but less than 25%, the entering into of the Equity Purchase Agreement constitutes a discloseable transaction of the Company and will therefore, be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Target Equity by CTS Scenery Resort from New Century Tourism in accordance with the Equity Purchase Agreement
“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 (stock code: 308)
“Completion”	completion of the Acquisition pursuant to the terms and condition of the Equity Purchase Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	China Securities Regulatory Commission

“CTS Scenery Resort”	CTS Scenery Resort Investment Company Limited* (中旅景區投資有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Deqing New Century Senbo”	Deqing New Century Senbo Vacation Development Co., Ltd.* (德清開元森泊度假開發有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Target Company
“Director(s)”	the director(s) of the Company
“Equity Purchase Agreement”	the equity purchase agreement dated 24 December 2020 entered into among CTS Scenery Resort, New Century Tourism and the Target Company in relation to the Acquisition
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hangzhou New Century Senbo Hotel”	Hangzhou New Century Senbo Hotel Co., Ltd.* (杭州開元森泊酒店有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Target Company
“Hangzhou New Century Senbo Tourism”	Hangzhou New Century Senbo Tourism Development Co., Ltd.* (杭州開元森泊旅遊發展有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Target Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons under the Listing Rules
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“New Century Senbo Tourism IP”	a rich content, high recognition, unique “Vacation + Park” personalized theme concept and product format, including short-distance vacation destination positioning based on family units; the concept of building natural landscape with mountains, valleys, wetlands, lakes and rivers occupies 90% of the park; and a high-quality accommodation experience consisting of characteristic wooden houses, tree houses and star hotels; park facilities targeting children as major customers as well as a combination of elements such as related intellectual property

“New Century Tourism”	New Century Tourism Group Co., Ltd.* (開元旅業集團有限公司), a company established in the PRC with limited liability
“PRC”	the People’s Republic of China, for the purpose of this announcement, exclusively referred 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
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Target Equity”	34% of the equity interest and its ancillary rights and benefits of the Target Company
“Target Company”	Hangzhou New Century Senbo Tourism Investment Co., Ltd.* (杭州開元森泊旅遊投資有限公司), a company established in the PRC with limited liability and owned as to 88% and 12% by New Century Tourism and Zhejiang Tourism Equity Investment Fund Partnership (Limited Partnership)* (浙江新希望旅遊產業股權投資基金合夥企業(有限合夥)), respectively, as at the date of this announcement
“Target Group”	Target Company and its wholly-owned or controlling subsidiaries
“%”	per. cent

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

Hong Kong, 24 December 2020

As at the date of this announcement, the Board comprises six executive Directors, namely Mr. Jiang Hong, Mr. Lo Sui On, Mr. You Cheng, Mr. Yang Hao, Mr. Wu Qiang and Mr. Fan Dongsheng; one non-executive Director, namely Mr. Tsang Wai Hung; and five independent non-executive Directors, namely Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke, Mr. Huang Hui, Mr. Chen Johnny and Mr. Song Dawei.

* For identification purpose only