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香港中旅國際投資有限公司
CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 308)

CONTINUING CONNECTED TRANSACTIONS – COMMERCIAL SERVICES MASTER AGREEMENT

THE COMMERCIAL SERVICES MASTER AGREEMENT

The Board is pleased to announce that, on 31 December 2019, CTS Scenery Resort and Earn Success entered into the Commercial Services Master Agreement, pursuant to which CTS Scenery Resort agreed to provide commercial services, including land acquisition consultancy services, commercial consultancy services, design consultancy services, business invitation services, operation management services and tenancy management services, to the Earn Success Group on a non-exclusive basis for a term of three years commencing from 1 January 2020 and ending on 31 December 2022.

LISTING RULES IMPLICATIONS

CTS (Holdings) is a controlling shareholder of the Company. Earn Success is a direct wholly-owned subsidiary of CTS (Holdings) and is therefore a connected person of the Company. The transactions contemplated under the Commercial Services Master Agreement between CTS Scenery Resort and Earn Success will constitute continuing connected transactions for the Company under the Listing Rules.

As one or more of the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Commercial Services Master Agreement is 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 Commercial Services Master Agreement is only subject to the reporting, announcement and annual review requirements but is exempt from the circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND INFORMATION

The Board is pleased to announce that, on 31 December 2019, CTS Scenery Resort and Earn Success entered into the Commercial Services Master Agreement, pursuant to which CTS Scenery Resort agreed to provide commercial services, including land acquisition consultancy services, commercial consultancy services, design consultancy services, business invitation services, operation management services and tenancy management services, to the Earn Success Group on a non-exclusive basis for a term of three years commencing from 1 January 2020 and ending on 31 December 2022.

THE COMMERCIAL SERVICES MASTER AGREEMENT

It is contemplated that individual specific agreements will be entered into between CTS Scenery Resort and the Earn Success Group in respect of the transactions within the scope of the Commercial Services Master Agreement. The terms of the specific agreements will be entered into in accordance with the principles set out in the Commercial Services Master Agreement. In the event that there is any conflict between the terms of any such specific agreements and the terms of the Commercial Services Master Agreement, the terms of the Commercial Services Master Agreement shall prevail.

The principal terms of the Commercial Services Master Agreement are as follows:

Date

31 December 2019

Parties

- (a) CTS Scenery Resort; and
- (b) Earn Success

Term

1 January 2020 to 31 December 2022 (both dates inclusive)

Land Acquisition Consultancy Services

CTS Scenery Resort will conduct studies and strategic analysis on commercial projects of the Earn Success Group involving acquisition of lands, and provide reports on the results of its research and/or analysis in relation to such lands and/or commercial projects ("**Land Research Report(s)**").

Pricing Basis

The land acquisition consultancy service fee to be paid by the Earn Success Group and charged by CTS Scenery Resort shall be subject to further arm's length negotiations with regard to various factors including but not limited to the scope, size and complexity of the commercial projects and the resources required, and shall be set out in the individual contracts to be entered into between the Earn Success Group and CTS Scenery Resort. The fee charged by CTS Scenery Resort for the land acquisition consultancy services shall be on normal commercial terms, determined with reference to the fair price ranges in the market for comparable services and no less favourable to the fees charged by CTS Scenery Resort when providing similar services to Independent Third Parties. If no such market information is obtainable, the service fees paid for the land acquisition consultancy services shall then not be lower than the budgeted costs of the Group and be determined on normal commercial terms and in accordance with the relevant applicable internal pricing guidelines of CTS Scenery Resort in furtherance of its independent commercial interests. The service fees charged by CTS Scenery Resort shall in any event be no less than RMB200,000 per Land Research Report. The fees will be payable by the Earn Success Group upon completion of each Land Research Report.

Before determining the rate of the land acquisition consultancy service fees provided to the Earn Success Group and signing the individual contracts, the business department of the Group will review the service fees rates of relevant comparable services provided to Independent Third Parties, and ensure that the service fees rate for the Earn Success Group will be commensurate with the service fees rate for Independent Third Parties and no less favourable to CTS Scenery Resort than those for services provided to Independent Third Parties. If no such data in relation to services provided to Independent Third Parties by the Group is available, the service fees rate charged by the Earn Success Group shall be on normal commercial terms in accordance with the internal pricing guidelines of CTS Scenery Resort and be no less favourable to the Group than those charged by CTS Scenery Resort to its other customers in respect of comparable services.

Commercial Consultancy Services

CTS Scenery Resort will provide commercial consultancy services, including but not limited to market consultancy, customer analysis, industry composition and optimization recommendations, brand building and recommended rental proposals, for the investment projects and business development of the Earn Success Group.

Pricing Basis

The commercial consultancy services to be provided by CTS Scenery Resort shall be charged at RMB20/m² of the gross floor area of projects or RMB100,000 per month, whichever is the higher. Before entering into individual contracts in respect of the commercial consultancy service fees provided to the Earn Success Group, the business department of the Group will review whether the service fee rate for the Earn Success Group are commensurate with the service fees rate for Independent Third Parties and no less favourable to CTS Scenery Resort than those for services provided to Independent Third Parties. If no such data in relation to services provided to Independent Third Parties by the Group is

available, the service fee rate for the Earn Success Group shall be on normal commercial terms in accordance with the internal pricing guidelines of CTS Scenery Resort and be no less favourable to the Group than those charged by CTS Scenery Resort to its other customers in respect of comparable services. The Group will take into account the cost and benefit, resources required and expected return before undertaking commercial consultancy services to be set out in each of the individual contracts to be entered into between the Earn Success Group and CTS Scenery Resort. The Group will provide commercial consultancy services on normal commercial terms and exercise its independent judgment and normal commercial consideration in determining whether to enter into separate contracts in respect of commercial consultancy services to be provided by CTS Scenery Resort. The Earn Success Group will generally pay an upfront payment of 40% of the total services fee upon signing of the individual agreements, and pay 20% of the total services fees after receipt of the consultancy report. The remaining services fees will be paid after the completion of services provided by CTS Scenery Resort.

Design Consultancy Services

CTS Scenery Resort will provide design consultancy services, including but not limited to optimization recommendations on 2-dimensional conceptual planning design, architectural conceptual proposals, tenancy area partitioning, movement organisation, interior and exterior commercial design proposals, lighting, electrical and mechanical supporting devices, initial design and construction drawings consultancy.

Pricing Basis

The design consultancy services to be provided by CTS Scenery Resort shall be charged at RMB25/m² of the gross floor area of projects or RMB150,000 per month, whichever is higher. Before entering into individual contracts in respect of the design consultancy service fees provided to the Earn Success Group, the business department of the Group will review whether the service fee rate for the Earn Success Group is commensurate with the service fee rate for Independent Third Parties and no less favourable to CTS Scenery Resort than those for services provided to Independent Third Parties. If no such data in relation to services provided to Independent Third Parties by the Group is available, the service fees rate for the Earn Success Group shall be on normal commercial terms in accordance with the internal pricing guidelines of CTS Scenery Resort and be no less favourable to the Group than those charged by CTS Scenery Resort to its other customers in respect of comparable services. The Group will take into account the cost and benefit, resources required and expected return before undertaking design consultancy services to be set out in each of the individual contracts to be entered into between the Earn Success Group and CTS Scenery Resort. The Group will provide design consultancy services on normal commercial terms and exercise its independent judgment and normal commercial consideration in determining whether to enter into separate contracts in respect of design consultancy services to be provided by CTS Scenery Resort. The Earn Success Group will generally pay an upfront payment of 40% of the total services fee upon signing of the individual agreements, and pay 20% of the total services fees after receipt of the consultancy report. The remaining services fees will be paid after completion of services by CTS Scenery Resort.

Business Invitation Services

CTS Scenery Resort will provide business invitation services for commercial projects of the Earn Success Group, including but not limited to procurement of tenants and preliminary negotiations of rental.

Pricing Basis

In respect of business invitation services, the service fees will be charged at RMB80,000 per month by CTS Scenery Resort, plus 1-2 months of commission fees. The services fees will be generally paid by the Earn Success Group on a yearly basis and the full commission fees will be paid upon the commencement of commercial projects of the Earn Success Group. Before entering into individual contracts in respect of the business invitation service fees provided to the Earn Success Group, the business department of the Group will review whether the service fees rate for the Earn Success Group are commensurate with the service fee rate for Independent Third Parties and no less favourable to CTS Scenery Resort than those for services provided to Independent Third Parties. If no such data in relation to services provided to Independent Third Parties by the Group is available, the service fee rate for the Earn Success Group shall be on normal commercial terms in accordance with the internal pricing guidelines of CTS Scenery Resort and be no less favourable to the Group than those charged by CTS Scenery Resort to its other customers in respect of comparable services. The Group will take into account the cost and benefit, resources required and expected return before undertaking business invitation services to be set out in each of the individual contracts to be entered into between the Earn Success Group and CTS Scenery Resort. The Group will provide business invitation services on normal commercial terms and exercise its independent judgment and normal commercial consideration in determining whether to enter into separate contracts in respect of business invitation services to be provided by CTS Scenery Resort.

Operation Management Services

CTS Scenery Resort will provide operation management services, including the establishment of improvement and operational plans, for the investment projects and business development of the Earn Success Group.

Pricing Basis

The services to be provided by CTS Scenery Resort shall be charged at 30% of the monthly rental per month, or the salaries of the operational staff plus a margin of 8% and an amount representing 6% of the profit of the project. The services fees will be paid in advance on a quarterly basis by the Earn Success Group. Before entering into individual contracts in respect of the operation management service fees provided to the Earn Success Group, the business department of the Group will review whether the service fees rate for Earn Success Group are commensurate with the service fees rate for Independent Third Parties and no less favourable to CTS Scenery Resort than those for services provided to Independent Third Parties. If no such data in relation to services provided to Independent Third Parties by the Group is available, the service fees rate for the Earn Success Group shall be on normal commercial terms in accordance with the internal pricing guidelines of CTS Scenery Resort and be no less favourable to the Group than those charged by CTS Scenery Resort to its other customers in respect

of comparable services. The Group will take into account the cost and benefit, resources required and expected return before undertaking operation management services to be set out in each of the individual contracts to be entered into between the Earn Success Group and CTS Scenery Resort. The Group will provide operation management services on normal commercial terms and exercise its independent judgment and normal commercial consideration in determining whether to enter into separate contracts in respect of operation management services to be provided by CTS Scenery Resort.

Tenancy Management Services

CTS Scenery Resort will provide tenancy management services, including the establishment of tenancy management systems, routine rental collection service and coordination of administrative and procedural issues for tenants, handling of tenant complaints, risk assessment of tenants and procurement of new tenants for the properties of the Earn Success Group.

Pricing Basis

The services to be provided by CTS Scenery Resort shall be charged at an amount equivalent to 1 to 1.5 months of the yearly major revenue of the owner of the properties. The service fee will be paid in advance on a quarterly or half-yearly basis by the Earn Success Group. Before entering into individual contracts in respect of the tenancy management service provided to the Earn Success Group, the business department of the Group will review whether the service fee rate for the Earn Success Group are commensurate with the service fee rate for Independent Third Parties and no less favourable to CTS Scenery Resort than those for services provided to Independent Third Parties. If no such data in relation to services provided to Independent Third Parties by the Group is available, the service fee rate for the Earn Success Group shall be on normal commercial terms in accordance with the internal pricing guidelines of CTS Scenery Resort and be no less favourable to the Group than those charged by CTS Scenery Resort to its other customers in respect of comparable services. The Group will take into account the cost and benefit, resources required and expected return before undertaking tenancy management services to be set out in each of the individual contracts to be entered into between Earn Success Group and CTS Scenery Resort. The Group will provide tenancy management services on normal commercial terms and exercise its independent judgment and normal commercial consideration in determining whether to enter into separate contracts in respect of tenancy management services to be provided by CTS Scenery Resort.

Termination

If any of the members of the Earn Success Group who receives service are in material breach of the Commercial Services Master Agreement or relevant individual commercial services agreements, including but not limited to non-payment of service fees, CTS Scenery Resort may unilaterally terminate the Commercial Services Master Agreement or relevant individual commercial services agreements and the Earn Success Group shall be liable for compensation in respect of such breach.

If CTS Scenery Resort is in material breach of the Commercial Services Master Agreement or relevant individual commercial services agreements, the Earn Success Group may unilaterally terminate the Commercial Services Master Agreement or relevant individual commercial services agreements and CTS Scenery Resort shall be liable for compensation to the Earn Success Group in respect of such breach.

Annual Caps

The annual caps under the Commercial Services Master Agreement are as follows:

	Year ending 31 December		
	2020	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Provision of commercial services to the Earn Success Group	34,000,000	38,000,000	92,000,000

The above caps are determined based on the followings:

- (i) estimated cost of CTS Scenery Resort plus a margin in order to achieve a reasonable income for the Group;
- (ii) expected market conditions, possible inflation and a reasonable buffer to allow for increase in business transactions under the Commercial Services Master Agreement;
- (iii) the expected increase in tenancy for properties in the forthcoming years; and
- (iv) the expected increase in demand for business invitation services in 2022 from the Earn Success Group due to the planned opening of an ocean spring resort project in 2023.

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

REASONS FOR AND BENEFITS OF ENTERING INTO THE COMMERCIAL SERVICES MASTER AGREEMENT

The Group is not under any obligation to provide services to the Earn Success Group or its members pursuant to the Commercial Services Master Agreement and it is free to entered into service agreements with other parties. By entering into the Commercial Services Master Agreement and leveraging CTS Scenery Resort's experience and expertise in tourism real estate management, the Company can strengthen the linkage between its travel destinations and tourism real estate businesses, further improve the comprehensive development plan for its travel destination business, and reinforce integrated operational capability for comprehensive travel destination projects to provide more comprehensive products and services for the market. The provision of commercial services to Earn Success Group under the Commercial Services Master Agreement will not only enable the Company to benefit from the quality tourism resources of Earn Success Group with synergies and maximized assets yields, but also expand its revenue stream and increase its cash flow.

The Directors (including the independent non-executive Directors and excluding the executive Directors who have abstained from voting as disclosed in the paragraph headed “Listing Rules Implications”) consider that (i) the terms of the Commercial Services Master Agreement are determined after arm’s length negotiation between CTS Scenery Resort and Earn Success and are fair and reasonable; and (ii) the Commercial Services Master Agreement and the continuing connected transactions contemplated thereunder (including the annual caps) are on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Shareholders and the Company as a whole.

INTERNAL CONTROL MEASURES ON CONTINUING CONNECTED TRANSACTIONS

In accordance with the Listing Rules, the Company will comply at all times with the applicable provisions under Rules 14A.34, 14A.51 to 14A.59 of the Listing Rules in respect of the continuing connected transactions contemplated under the Commercial Services Master Agreement. In addition, in order to safeguard the interests of the Company and the Shareholders as a whole, the Group has adopted certain guidelines and principles in monitoring the transactions between the Group and the Earn Success Group namely:

- (i) the Company will report the transactions under the Commercial Services Master Agreement to the independent non-executive Directors during each of the audit committee meetings (if necessary) according to the audit committee meeting agenda. The Company will ensure that such kind of reporting shall be conducted not less than two times in a year;
- (ii) the Company’s finance department and compliance team will review the transactions with the Earn Success Group to identify any continuing connected transaction that may be at risk of exceeding the annual caps, and any measures to be taken in respect of such continuing connected transaction. The Group has established a series of measures and policies to ensure that the continuing connected transactions will be conducted in accordance with the terms of the Commercial Services Master Agreement. The Group’s business department will conduct random internal checks quarterly to ensure that the internal control measures in respect of the continuing connected transactions remain intact and effective and the requirements under the Listing Rules are being complied with;
- (iii) the Earn Success Group shall as far as practicable and on a best effort basis provide such assistance as necessary to the Group so as to allow the Group to comply with its internal control procedures and the requirements under the Listing Rules, including but not limited to providing financial and other data and/or documents within a reasonable timeframe, giving written or verbal explanations to queries raised by the Group and issue explanatory notes for certain facts or circumstances;
- (iv) before entering into individual contracts in respect of the services provided to the Earn Success Group, the business department of the Group will review whether the service fee rate for the Earn Success Group are commensurate with the service fee rate for Independent Third Parties and no less favourable to CTS Scenery Resort than those for services provided to Independent Third Parties. If no such data in relation to services provided to Independent Third Parties by the Group is available, the service fees rate for Earn Success Group shall be on normal commercial terms in accordance

with the internal pricing guidelines of CTS Scenery Resort and be no less favourable to the Group than those charged by CTS Scenery Resort to its other customers in respect of comparable services. The internal pricing guidelines will include factors such as cost and benefit, resources required and expected short term and long-term return, which are to be taken into account by CTS Scenery Resort independently;

- (v) the transactions contemplated under the Commercial Services Master Agreement will be reviewed by the independent non-executive Directors every year and reported in the annual report of the Company which provides a check and balance to ensure that the transactions under the Commercial Services Master Agreement are conducted in accordance with the terms of the Commercial Services Master Agreement, on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the pricing policy set out in the Commercial Services Master Agreement; and
- (vi) the auditors of the Company will conduct annual review on the pricing and the annual caps of the transactions contemplated under the Commercial Services Master Agreement.

LISTING RULES IMPLICATIONS

CTS (Holdings) is a controlling shareholder of the Company. Earn Success is a direct wholly-owned subsidiary of CTS (Holdings) and is therefore a connected person of the Company. The transactions contemplated under the Commercial Services Master Agreement between CTS Scenery Resort and Earn Success will constitute continuing connected transactions for the Company under the Listing Rules.

As one or more of the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Commercial Services Master Agreement is 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 Commercial Services Master Agreement is only subject to the reporting, announcement and annual review requirements but is exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, Mr. Jiang Hong and Mr. Yang Hao hold executive and senior management positions at CTS (Holdings) or its subsidiaries and have therefore voluntarily abstained from voting on the Board resolution approving the Commercial Services Master Agreement. Save as disclosed above, none of other Directors has a material interest in the Commercial Services Master Agreement and accordingly, none of them was required to abstain from voting on the Board resolution for considering and approving the same.

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 operations.

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

The CTS (Holdings) Group is principally engaged in travel business and real estate development. CTS (Holdings) is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

Earn Success is a company established in Hong Kong with limited liability. Its principal activity is investment holding.

Earn Success Group is principally engaged in investment and development of tourism real estate projects.

DEFINITIONS

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

“associates”, “connected person(s)”, “subsidiary(ies)”, “substantial shareholder(s)”	has the same meaning as ascribed thereto in the Listing Rules
“Board”	the board of directors of the Company
“Commercial Services Master Agreement”	The commercial services master agreement dated 31 December 2019 entered into between CTS Scenery Resort and Earn Success in relation to the provision of commercial services, including land acquisition consultancy services, commercial consultancy services, design consultancy services, business invitation services, operation management services and tenancy management services, by CTS Scenery Resort
“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)

“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited, a company interested in 60.95% of the issued share capital of the Company and a substantial shareholder of the Company
“CTS (Holdings) Group”	CTS (Holdings) and its subsidiaries and associates, but excluding the Group for the purpose of this announcement
“CTS Scenery Resort”	CTS Scenery Resort Investment Company Limited, a company incorporated in the PRC and indirectly wholly-owned by the Company
“Directors”	the directors of the Company
“Earn Success”	Earn Success Investment Limited, a company established in Hong Kong with limited liability, a direct wholly-owned subsidiary of CTS (Holdings)
“Earn Success Group”	Earn Success and its subsidiaries and associates, but excluding the Group for the purpose of this announcement
“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
“Independent Third Parties”	Parties who are independent from the Company and the connected persons of the Company
“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”	Reminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Shares”	ordinary shares in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“%” Percentage

“m²” square meter

By Order of the Board

China Travel International Investment Hong Kong Limited

Fu Zhuoyang

Chairman

Hong Kong, 31 December 2019

As at the date of this announcement, the Board comprises six executive Directors, namely Mr. Fu Zhuoyang, Mr. Lo Sui On, Mr. Jiang Hong, Mr. You Cheng, Mr. Yang Hao and Mr. Wu Qiang 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.