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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 — RENEWAL OF ANNUAL CAPS**

Reference is made to the announcement of the Company dated 1 November 2007, 29 November 2010 and 8 September 2011 and the circular of the Company dated 21 November 2007 in respect of the provision of hotel management services to the CTS (Holdings) Group.

On 9 May 2008, the Company, as hotel manager, and CTS (Holdings), as hotel owner, entered into the HMS Master Agreement to govern the continuous provision of hotel management services by the Group to the CTS (Holdings) Group for a term commenced from 9 May 2008, date of signing of the HMS Master Agreement, and ending on 31 December 2015. As the previous annual caps approved for the HMS Master Agreement are only up to the year ending 31 December 2013, the Company proposes new annual caps for the HMS Master Agreement for the two years ending 31 December 2015 to comply with the Listing Rules.

As CTS (Holdings) is a substantial shareholder of the Company, the members in the CTS (Holdings) Group are connected persons of the Company and the provision of hotel management services to the CTS (Holdings) Group constitutes continuing connected transactions for the Company under the Listing Rules. As one or more of the applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules in respect of the annual caps for the hotel management fees to be paid by the CTS (Holdings) Group under the HMS Master Agreement for the two years ending 31 December 2015 is or are more than 0.1% but less than 5%, the HMS Master Agreement is only subject to the reporting, announcement and annual review requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **BACKGROUND**

Reference is made to the announcement of the Company dated 1 November 2007, 29 November 2010 and 8 September 2011 and the circular of the Company dated 21 November 2007 in respect of the provision of hotel management services to the CTS (Holdings) Group.

On 9 May 2008, the Company, as hotel manager, and CTS (Holdings), as hotel owner, entered into the HMS Master Agreement to govern the continuous provision of hotel management services by the Group to the CTS (Holdings) Group for a term commenced from 9 May 2008, date of signing of the HMS Master Agreement, and ending on 31 December 2015. As the previous annual caps approved for the HMS Master Agreement are only up to the year ending 31 December 2013, the Company proposes new annual caps for the HMS Master Agreement for the two years ending 31 December 2015 to comply with the Listing Rules.

## **THE HMS MASTER AGREEMENT**

### **Date**

9 May 2008

### **Term**

9 May 2008 to 31 December 2015

### **Parties**

- (i) CTS (Holdings), as hotel owner, and
- (ii) the Company, as hotel manager

### **Services Provided**

Hotel management services provided by the Group to the CTS (Holdings) Group

### **Fees**

Hotel management fees shall be charged at a certain percentage (1.5%-2%) of total revenue of the hotel under management as a base fee, a certain percentage (2%-6%) of its gross operating profit as an incentive fee, and as the case maybe, 1% of its room revenue as a marketing fee, the aggregate of which shall be comparable to fees charged by Independent Third Parties.

## HISTORICAL FIGURES

For the two years ended 31 December 2012 and for the eight months ended 31 August 2013, the amount of hotel management fees payable by the CTS (Holdings) Group are as follows:

	Year ended 31 December		For the eight months ended 31 August
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hotel management fees	<u>14,199</u>	<u>14,728</u>	<u>8,286</u>

## THE PROPOSED ANNUAL CAPS

The Company proposes to set the annual caps for the hotel management fees as follows:

	Year ending 31 December	
	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Hotel management fees	<u>17,000</u>	<u>20,000</u>

The above annual caps are determined based on the following:

- (i) historical transaction amounts for the two years ended 31 December 2012 and the eight months ended 31 August 2013; and
- (ii) the Company's internal projection after taking into account the expected increasing demand for hotel management services by the CTS (Holdings) Group.

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 ENTERING INTO AND BENEFITS OF THE HMS MASTER AGREEMENT**

The Directors consider that the continuing connected transactions under the HMS Master Agreement will allow the Group to leverage on its experience in hotel management and will benefit the ongoing operation of the Group's business and facilitate future growth.

The principles for determining the amount of hotel management fees payable by the CTS (Holdings) Group under the HMS Master Agreement have been arrived at after arm's length negotiation between CTS (Holdings) and the Company.

The Directors (including the independent non-executive Directors) consider that the terms of the HMS Master Agreement are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) also consider that the annual caps under the HMS Master Agreement are fair and reasonable.

## **LISTING RULES IMPLICATIONS**

As CTS (Holdings) is a substantial shareholder of the Company, the members in the CTS (Holdings) Group are connected persons of the Company and the provision of hotel management services to the CTS (Holdings) Group constitutes continuing connected transactions for the Company under the Listing Rules. As one or more of the applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules in respect of the annual caps for the hotel management fees to be paid by the CTS (Holdings) Group under the HMS Master Agreement for the two years ending 31 December 2015 is or are more than 0.1% but less than 5%, the HMS Master Agreement is only subject to the reporting, announcement and annual review requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Save and except for Mr. Wang Shuai Ting, Mr. Lo Sui On and Ms. Jiang Yan, who have abstained from voting on the Board resolution in relation to the renewal of annual caps under the HMS Master Agreement as they are also directors of CTS (Holdings), none of the Directors has a material interest in the aforesaid transaction or 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 travel agency and related operations, tourist attraction, hotel, passenger transportation, golf club, arts performance and power generation operations.

The CTS (Holdings) Group is principally engaged in travel business, industrial investment in steel, real estate development, logistics and trading.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associates”, “connected person(s)”	each of which has the meaning ascribed to it under the Listing Rules
“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
“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited, a company interested in 57.36% of the issued share capital of the Company and a connected person of the Company
“CTS (Holdings) Group”	CTS (Holdings) and its associates, but excluding the Group for the purpose of this announcement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HMS Master Agreement”	the master agreement entered into between CTS (Holdings) and the Company on 9 May 2008, pursuant to which the Company agrees to provide or procure its subsidiaries to provide hotel management services to the CTS (Holdings) Group
“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

“Shareholder(s)” shareholder(s) of the Company

“Stock Exchange” The Stock Exchange of Hong Kong Limited

By Order of the Board  
**China Travel International Investment Hong Kong Limited**  
**Wang Shuai Ting**  
*Chairman*

Hong Kong, 9 December 2013

*As at the date of this announcement, the Board comprises six executive Directors, namely Mr. Wang Shuai Ting, Mr. Lo Sui On, Ms. Jiang Yan, Mr. Zhang Fengchun, Mr. Xu Muhan and Mr. Fu Zhuoyang; and four independent non-executive Directors, namely Dr. Fong Yun Wah, Mr. Wong Man Kong, Peter, Mr. Sze, Robert Tsai To and Mr. Chan Wing Kee.*