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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PROVISION OF TOUR GROUP SERVICES

Reference is made to the announcement of the Company dated 28 December 2017 in respect of the continuing connected transactions in relation to the provision of tour group services by the Group and the China CTS Group to each other under the 2017 Tour Group Services Master Agreement.

As the 2017 Tour Group Services Master Agreement relating to the continuing connected transactions provided thereunder will expire on 31 December 2020, the Company entered into the 2020 Tour Group Services Master Agreement with China CTS on 29 December 2020 to renew the terms of such continuing connected transactions for a term commencing from 1 January 2021 to 31 December 2021, where the Group and the China CTS Group will continue to provide tour group services to each other. The 2020 Tour Group Services Master Agreement will be terminated upon the completion of the Disposal (as defined below). The Company will keep the Shareholders and potential investors informed by making disclosures as and when appropriate.

As China CTS holds the entire issued share capital of CTS (Holdings) and CTS (Holdings) is a substantial shareholder of the Company, China CTS is a connected person of the Company under the Listing Rules. Accordingly, the CTII Tour CCT and China CTS Tour CCT constitute continuing connected transactions for the Company under the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the 2020 Tour Group Services Master Agreement is more than 0.1% but all are less than 5% and the annual consideration is more than HK\$3,000,000, the entering into of the 2020 Tour Group Services Master Agreement is only subject to the reporting, announcement and annual review requirements but is exempt from the circular (including independent financial advice) and the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 28 December 2017 in respect of the continuing connected transactions in relation to the provision of tour group services by the Group and the China CTS Group to each other under the 2017 Tour Group Services Master Agreement.

As the 2017 Tour Group Services Master Agreement relating to the continuing connected transactions provided thereunder will expire on 31 December 2020, the Company entered into the 2020 Tour Group Services Master Agreement with China CTS on 29 December 2020 to renew the terms of such continuing connected transactions for a term commencing from 1 January 2021 to 31 December 2021, where the Group and the China CTS Group will continue to provide tour group services to each other. Taking into account the long-standing and regular historical cooperation between the Company and China CTS, the CTII Tour CCT and the China CTS Tour CCT under the 2020 Tour Group Services Master Agreement were agreed between the Company and China CTS as interim measures pending the completion of the Disposal (as defined below), with a view of ensuring and maintaining the stability and sustainability in respect of the travel agency business.

THE 2020 TOUR GROUP SERVICES MASTER AGREEMENT

Date

29 December 2020

Parties

(a) the Company; and

(b) China CTS

Term

1 January 2021 to 31 December 2021 (both days inclusive)

The 2020 Tour Group Services Master Agreement will be terminated upon the completion of the Disposal (as defined below). The Company will keep the Shareholders and potential investors informed by making disclosures as and when appropriate.

Transaction Nature

The Group and the China CTS Group will continue to provide tour group services to each other.

Pricing Basis

The services charges under the 2020 Tour Group Services Master Agreement shall be determined based on the following:

- (i) In relation to the provision of tour group services by the Group to the China CTS Group, the charges of such services shall be determined by a pricing mechanism having reference to the costs of the services and the prevailing market rates and shall not be lower than the services fees which those services are charged by the Group to any Independent Third Parties as are monitored regularly by the Group's internal control procedures.
- (ii) In relation to the provision of tour group services by the China CTS Group to the Group, the charges of such services shall be determined by a pricing mechanism having reference to the costs of the services and the prevailing market rates and shall not be higher than the prevailing market price at which those services are charged by any Independent Third Parties to the Group as are monitored regularly by the Group's internal control procedures.

The payment terms of each individual transaction under the 2020 Tour Group Services Master Agreement will be agreed by the relevant parties on an arm's length basis and according to the prevailing fair and usual market practice from time to time.

HISTORICAL FIGURES AND THE ANNUAL CAPS

	For the year ended 31 December 2017 Actual Amount <i>HK\$'000</i>	For the year ended 31 December 2018 Actual Amount <i>HK\$'000</i>	For the year ended 31 December 2019 Actual Amount <i>HK\$'000</i>	For the nine months ended 30 September 2020 Actual Amount <i>HK\$'000</i>	For the year ending 31 December 2021 Annual Cap <i>HK\$'000</i>
Provision of tour group services by the Group to the China CTS Group	26,474	13,871	23,254	73	7,700
Provision of tour group services by the China CTS Group to the Group	59,761	74,049	76,670	9,792	41,000

The above annual caps for the year ending 31 December 2021 for the CTII Tour CCT and the China CTS Tour CCT are determined based on the following:

- (i) historical transaction amounts as detailed in the table above;
- (ii) the fact that the Disposal (as defined below) may not be completed in year 2021; and
- (iii) the Company's internal projection after taking into account the prospects of the travel agency business of the China CTS Group and the Group for the year of 2021.

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. Shareholders or potential investors of the Company should not rely on the above annual caps in deciding how or whether or not to deal in the shares of the Company.

REASONS FOR AND BENEFITS OF THE CTII TOUR CCT AND THE CHINA CTS TOUR CCT

On 9 August 2019, the Group entered into a conditional assets and equity interest transfer master agreement with CTG Travel Service Co., Ltd. (formerly known as "China Travel Service Co., Ltd." ("CTS Head Office")), a subsidiary of China CTS, pursuant to which the Group agreed to dispose of its business and assets relating to travel agency to CTS Head Office upon completion of an internal reorganization (the "**Disposal**"). For details, please refer to the Company announcement dated 9 August 2019. Upon completion of the Disposal, the Group and the China CTS Group will no longer provide tour group services to each other and accordingly, the 2020 Tour Group Services Master Agreement will be terminated. Due to the complexity of the transactions involved, the Disposal is still underway and has not been completed as at the date of this announcement.

In view of past operational convenience and benefits brought to the Group, the Board considers it to be in the interests of the Group to engage in the CTII Tour CCT and the China CTS Tour CCT and that the Group will benefit from the extensive coverage of the travelling network of the China CTS Group. The CTII Tour CCT and the China CTS Tour CCT will enable the Group to launch new products with the China CTS Group and to provide one-stop services to clients. The Board believes that the resources of the Group will be allocated more efficiently and the cost will be lowered as a result. The Company is also of the view that taking into account the long-standing and regular historical cooperation between the Company and China CTS, the CTII Tour CCT and the China CTS Tour CCT under the 2020 Tour Group Services Master Agreement would serve as appropriate interim measures pending the completion of the Disposal.

The Directors (including the independent non-executive Directors) consider that the 2020 Tour Group Services Master Agreement is entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms and the annual caps are fair and reasonable and are in the interest of the Shareholders and the Group 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 2020 Tour Group 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 China CTS Group namely:

- (i) the Company will report the transactions under the 2020 Tour Group 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 will review the transactions with the China CTS Group to identify any continuing connected transaction that may be a 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 2020 Tour Group 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 complete and effective and the requirements under the Listing Rules are being complied with;
- (iii) the China CTS Group shall 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 to be provided to the China CTS Group, the business department of the Group will review whether the service fees for the China CTS Group are commensurate with the service fees for Independent Third Parties charged by the Group. The service fees charged by the Group shall be no less favourable to the Group than those charged by the Group to its other customers in respect of comparable services. If no such data in relation to services provided to Independent Third Parties by the Group is available, the service fees rate for the China CTS Group shall be on normal commercial terms in accordance with the internal pricing guidelines (set and reviewed regularly with reference to terms of similar services or arrangement provided by Independent Third Parties in the market) of the Group. The Group will also obtain price quotations or market data in respect of service fees from Independent Third Parties 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 taking into account by the Group independently;
- (v) before entering into individual contracts in respect of the services to be provided to the Group, the business department of the Group will review whether the service fees charged by the China CTS Group are commensurate with the service fees charged by Independent Third Parties (including obtaining price quotations or market data in respect of service fees from Independent Third Parties of comparable services). If no such market data in relation to comparable services provided by Independent Third Parties is available, the service fees rate shall no less favourable to the Group than those charged by the China CTS Group to its other customers in respect of comparable services;
- (vi) the transactions contemplated under the 2020 Tour Group 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 2020 Tour Group Services Master Agreement were conducted in accordance with the terms of the 2020 Tour Group Services Master Agreement, on normal commercial terms and fair and reasonable and in the interests of 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 2020 Tour Group Services Master Agreement; and

(vii) the auditors of the Company will conduct annual review on the pricing and the annual caps of the transactions contemplated under the 2020 Tour Group Services Master Agreement.

LISTING RULES IMPLICATIONS

As China CTS holds the entire issued share capital of CTS (Holdings) and CTS (Holdings) is a substantial shareholder of the Company, China CTS is a connected person of the Company under the Listing Rules. Accordingly, the CTII Tour CCT and China CTS Tour CCT constitute continuing connected transactions for the Company under the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the 2020 Tour Group Services Master Agreement is more than 0.1% but all are less than 5% and the annual consideration is more than HK\$3,000,000, the entering into of the 2020 Tour Group Services Master Agreement is only subject to the reporting, announcement and annual review requirements but is exempt from the circular (including independent financial advice) and the independent Shareholders' approval requirement 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, Mr. Wu Qiang, Mr. You Cheng, Mr. Yang Hao and Mr. Fan Dongsheng are directors of CTS (Shenzhen) Investment Development Limited, a subsidiary of China CTS, and Mr. Tsang Wai Hung is a director of CTS (Holdings). They are regarded as having material interest in the 2020 Tour Group Services Master Agreement and have therefore abstained from voting on the Board resolution approving the 2020 Tour Group Services Master Agreement. Save as disclosed above, none of other Directors has a material interest in the 2020 Tour Group Services Master Agreement and accordingly, none of them was required to abstain from voting on the Board resolutions 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 documents and related operations, passenger transportation operations.

China CTS, the ultimate controlling shareholder of CTS (Holdings) and the Company, is a central state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

The Chins CTS Group is principally engaged in travel business, real estate development and finance.

DEFINITIONS

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

“2017 Tour Group Services Master Agreement”	the master agreement dated 28 December 2017 entered into between the Company and China CTS in relation to the provision of tour group services by the Group and the China CTS Group to each other
“2020 Tour Group Services Master Agreement”	the master agreement dated 29 December 2020 entered into between the Company and China CTS in relation to the provision of tour group services by the Group and the China CTS Group to each other
“associates”	has the same meaning as ascribed thereto in the Listing Rules
“Board”	the board of directors of the Company
“China CTS”	China National Travel Service Group Corporation Limited (formerly known as China National Travel Service Group Corporation), 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 CTS Group”	China CTS and its subsidiaries, but excluding the Group for the purpose of this announcement
“China CTS Tour CCT”	the provision of tour group services by the China CTS Group to the Group as contemplated under the 2020 Tour Group Services Master Agreement
“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)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CTII Tour CCT”	the provision of tour group services by the Group to the China CTS Group as contemplated under the 2020 Tour Group Services Master Agreement
“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited, a company interested in 61.15% of the issued share capital of the Company and a substantial shareholder of the Company as at the date of this announcement

“Directors”	the directors of the Company
“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 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
“%”	per cent

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

Hong Kong, 29 December 2020

As at the date of this announcement, the Board of the Company 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.