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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 PROVISION OF VEHICLE RENTAL AND TRANSPORTATION SERVICES

CONTINUING CONNECTED TRANSACTIONS

On 10 February 2019, CTTTS, a non wholly-owned subsidiary of the Company, entered into the Cross-border Operation Small Vehicles Rental Agreement with CTS Financial Investment, a wholly-owned subsidiary of CTS (Holdings), pursuant to which CTTTS has agreed to rent a cross-border small vehicle to CTS Financial Investment for a term of three years commenced from 1 April 2019 and ending on 31 March 2022.

On 15 July 2020, CTTTS entered into the 2020 HK Fixed Vehicles Rental Agreement with CTS (Holdings), pursuant to which CTTTS agreed to provide staff transportation services to CTS (Holdings) in Hong Kong for the period from 16 July 2020 to 30 June 2021.

On 29 September 2021, CTTTS entered into the 2021 HK Fixed Vehicles Rental Agreement with CTS (Holdings), pursuant to which CTTTS has agreed to provide staff transportation services to CTS (Holdings) in Hong Kong for a term of one year commenced from 1 July 2021 and ending on 30 June 2022.

LISTING RULES IMPLICATIONS

CTS (Holdings) is a connected person of the Company by virtue of being a controlling shareholder of the Company. CTS Financial Investment is a wholly-owned subsidiary of CTS (Holdings) (which is interested in 61.15% of the issued share capital of the Company and a controlling shareholder of the Company) and is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the annual transaction amount of the transactions under the Cross-border Operation Small Vehicles Rental Agreement and the 2020 HK Fixed Vehicles Rental Agreement, on standalone or aggregate basis, were less than 0.1%, such transactions constitute *de minimis* continuing connected transactions of the Company and were fully exempt from the requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, as the Transactions under the Cross-border Operation Small Vehicles Rental Agreement, the 2020 HK Fixed Vehicles Rental Agreement and the 2021 HK Fixed Vehicles Rental Agreement were subsisting, entered into or completed within a 12-month period and all the Transactions involve the provision of vehicle rental or transportation services to members of the CTS (Holding) Group, they will be aggregated and treated as if they were one transaction. In that connection, all the Transactions are subject to the Annual Caps.

As one or more of the applicable percentage ratios in respect of the Annual Caps are more than 0.1% but all are less than 5% and the Annual Caps are more than HK\$3,000,000, the 2021 HK Fixed Vehicles Rental Agreement and the transactions contemplated thereunder are only subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

On 10 February 2019, CTTTS, a non wholly-owned subsidiary of the Company, entered into the Cross-border Operation Small Vehicles Rental Agreement with CTS Financial Investment, a wholly-owned subsidiary of CTS (Holdings), pursuant to which CTTTS has agreed to rent a cross-border small vehicle to CTS Financial Investment for a term of three years commenced from 1 April 2019 and ending on 31 March 2022.

On 15 July 2020, CTTTS entered into the 2020 HK Fixed Vehicles Rental Agreement with CTS (Holdings), pursuant to which CTTTS agreed to provide staff transportation services to CTS (Holdings) in Hong Kong for the period from 16 July 2020 to 30 June 2021.

On 29 September 2021, CTTTS entered into the 2021 HK Fixed Vehicles Rental Agreement with CTS (Holdings), pursuant to which CTTTS has agreed to provide staff transportation services to CTS (Holdings) in Hong Kong for a term of one year commenced from 1 July 2021 and ending on 30 June 2022.

THE CROSS-BORDER OPERATION SMALL VEHICLES RENTAL AGREEMENT

The principal terms of the Cross-border Operation Small Vehicles Rental Agreement are set out as follows:

Date	10 February 2019
Parties	(i) CTTTS; and (ii) CTS Financial Investment

Term

1 April 2019 to 31 March 2022 (both dates inclusive)

Transaction Nature

CTTTS and CTS Financial Investment agreed that CTTTS shall rent a cross-border small vehicle (including valid cross-border permits and quotas) to CTS Financial Investment, and assign a designated driver to provide related services.

Rental and Service Charges

The rental and service charges under the Cross-border Operation Small Vehicles Rental Agreement shall be HK\$62,500 per month for the period from 1 April 2019 to 31 March 2022. For overtime work by the driver, additional charges at the rate of HK\$38 per overtime hour will be charged by CTTTS to CTS Financial Investment.

Pricing Basis

The rental and service charges under the Cross-border Operation Small Vehicles Rental Agreement were negotiated on arm's length basis between the parties, on normal commercial terms, and determined with reference to the prevailing market prices, which are no less favourable to the Group than the rental and service charges chargeable by CTTTS to Independent Third Parties for the provision of similar rental and related services.

Payment Terms

The monthly rental and service charges under the Cross-border Operation Small Vehicles Rental Agreement is payable by CTS Financial Investment to CTTTS on or before the 10th day of each month in cash.

THE 2020 HK FIXED VEHICLES RENTAL AGREEMENT

The principal terms of the 2020 HK Fixed Vehicles Rental Agreement are set out as follows:

Date	15 July 2020
Parties	(i) CTTTS; and (ii) CTS (Holdings)

Term

16 July 2020 to 30 June 2021 (both dates inclusive)

Transaction Nature

CTTTS and CTS (Holdings) agreed that CTTTS shall provide staff transportation services to CTS (Holdings). Under the 2020 HK Fixed Vehicles Rental Agreement, CTTTS shall initially provide shuttle bus services of 14 routes in Hong Kong to the staff of the CTS (Holdings) Group for travelling among work and home amidst the outbreak of the COVID-19 pandemic.

Service Fees

The daily service fees chargeable by CTTTS to CTS (Holdings) under the 2020 HK Fixed Vehicles Rental Agreement are in the range of HK\$600 to HK\$900 per route, depending on the transportation distance of each route.

Pricing Basis

The service fees under the 2020 HK Fixed Vehicles Rental Agreement were negotiated on arm's length basis between the parties, on normal commercial terms, and determined with reference to the prevailing market prices, which are no less favourable to the Group than the service fees chargeable by CTTTS to Independent Third Parties for the provision of similar transportation services.

Payment Terms

The service fees under the 2020 HK Fixed Vehicles Rental Agreement is payable by CTS (Holdings) to CTTTS on a monthly basis within 20 days after invoice date in cash.

THE 2021 HK FIXED VEHICLES RENTAL AGREEMENT

The principal terms of the 2021 HK Fixed Vehicles Rental Agreement are set out as follows:

Date 29 September 2021

Parties (i) CTTTS; and
(ii) CTS (Holdings)

Term

1 July 2021 to 30 June 2022 (both dates inclusive)

Transaction Nature

CTTTS and CTS (Holdings) agreed that CTTTS shall provide staff transportation services to CTS (Holdings). Under the 2021 HK Fixed Vehicles Rental Agreement, CTTTS shall initially provide shuttle bus services of 14 routes in Hong Kong to the staff of the CTS (Holdings) Group for travelling among work and home amidst the outbreak of the COVID-19 pandemic.

Service Fees

The daily service fees chargeable by CTTTS to CTS (Holdings) under the 2021 HK Fixed Vehicles Rental Agreement are in the range of HK\$600 to HK\$900 per route, depending on the transportation distances of each route.

Pricing Basis

The service fees under the 2021 HK Fixed Vehicles Rental Agreement were negotiated on arm's length basis between the parties, on normal commercial terms, and determined with reference to the prevailing market prices, which are no less favourable to the Group than the service fees chargeable by CTTTS to Independent Third Parties for the provision of similar transportation services.

Payment Terms

The service fees under the 2021 HK Fixed Vehicles Rental Agreement is payable by CTS (Holdings) to CTTTS on a monthly basis within 20 days after invoice date in cash.

HISTORICAL FIGURES AND ANNUAL CAPS

The Annual Caps for the Transactions are as follows:

	For the year ending	
	31 December	
	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental charges and transportation service fees chargeable by CTTTS	7,400	9,300

The actual transaction amounts for the continuing connected transactions contemplated under the Cross-border Operation Small Vehicles Rental Agreement and 2020 HK Fixed Vehicles Rental Agreement for the financial year ended 31 December 2020 and the period from 1 January 2021 to 31 August 2021 were HK\$3,727,000 and HK\$2,188,000, respectively (the "**Historical Transaction Amounts**").

The above Annual Caps are determined based on (i) the Historical Transaction Amounts, including the annualized transaction amount for 2021 estimated based on the transaction amount for the period from 1 January 2021 to 31 August 2021; (ii) the expected total transaction amount under the Transactions for each of the two years ended 31 December 2022 based on the fixed rate of rental charges or services fees; (iii) the expected demand for vehicle rental and transportation services of the Group by the CTS (Holding) Group upon the potential extension of the Transactions after 30 June 2022; and (iv) a reasonable buffer for any adjustment to the hours and scope of service to be provided by CTTTS under the Transactions.

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 Annual Caps in deciding how or whether or not to deal in the shares of the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS

The Group's cross-border bus services have been suspended due to COVID-19, causing serious setbacks to passenger transportation operations. Having considered the background of CTS Financial Investment and CTS (Holdings), it is expected that a stable revenue and cashflow stream may be derived from the rental income and service fees under the Transactions.

Taking the above into consideration, the Directors (including the independent non-executive Directors) consider that the Agreements are entered into in the ordinary and usual course of business of the Group, the terms of the Agreements have been negotiated on an arm's length basis and are on normal commercial terms, and the Transactions 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 enquiries, Mr. Jiang Hong, Mr. Wu Qiang, Mr. Tang Yong and Mr. Fan Dongsheng are directors of CTS (Shenzhen) Investment Development Limited, a subsidiary of China CTS. Mr. Jiang Hong and Mr. Wu Qiang are directors of CTG Investment Management Corporation Limited, a subsidiary of CTS (Holdings), and Mr. Tsang Wai Hung is a director of CTS (Holdings). They are considered to be having material interest in and have therefore abstained from voting on the Board resolutions approving the Transactions. Save as disclosed above, the Board is not aware of any other Director who has a material interest in and was required to abstain from voting on the Board resolutions for approving the Transactions.

INFORMATION OF THE PARTIES

The Company is a company incorporated in Hong Kong with limited liability. 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 documents and related operations, passenger transportation operations.

CTTTS is a company incorporated in Hong Kong and a non wholly-owned subsidiary of the Company. It is principally engaged in the provision of passenger transportation services, hiring of motor vehicles and investment holding.

CTS (Holdings) is a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company. The CTS (Holdings) Group is principally engaged in travel business and real estate development.

CTS Financial Investment is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CTS (Holdings). Its principal business activity is investment holding.

INTERNAL CONTROL MEASURES

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 Transactions. 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 CTS (Holdings) Group, namely:

- (i) the Company will report the Transactions to the independent non-executive Directors during each of the audit committee meetings (if necessary) according to the audit committee meeting agenda. The Company shall ensure that such kind of reporting shall be conducted not less than two times in a year;
- (ii) the Company will review the Transactions with the CTS (Holdings) Group to identify any 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 Transactions will be conducted in accordance with the terms of the Cross-border Operation Small Vehicles Rental Agreement and the 2021 HK Fixed Vehicles Rental Agreement. The Group's business department will conduct random internal checks on a quarterly basis to ensure that the internal control measures in respect of the Transactions remain complete and effective and the requirements under the Listing Rules are being complied with; and
- (iii) the auditors of the Company will conduct annual review on the pricing and the Annual Caps and the Transactions.

LISTING RULES IMPLICATIONS

CTS (Holdings) is a connected person of the Company by virtue of being a controlling shareholder of the Company which is interested in 61.15% of the issued share capital of the Company. CTS Financial Investment is a wholly-owned subsidiary of CTS (Holdings) and is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the annual transaction amount of the transactions under the Cross-border Operation Small Vehicles Rental Agreement and the 2020 HK Fixed Vehicles Rental Agreement, on standalone or aggregate basis, were less than 0.1%, such transactions constitute de minimis continuing connected transactions of the Company and were fully exempt from the requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, as the Transactions under the Cross-border Operation Small Vehicles Rental Agreement, the 2020 HK Fixed Vehicles Rental Agreement and the 2021 HK Fixed Vehicles Rental Agreement were subsisting, entered into or completed within a 12-month period and all the Transactions involve the provision of vehicle rental or transportation services to members of the CTS (Holding) Group, they will be aggregated and treated as if they were one transaction. In that connection, all the Transactions are subject to the Annual Caps.

As one or more of the applicable percentage ratios in respect of the Annual Caps are more than 0.1% but all are less than 5% and the Annual Caps are more than HK\$3,000,000, the 2021 HK Fixed Vehicles Rental Agreement and the transactions contemplated thereunder are only subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“2020 HK Fixed Vehicles Rental Agreement”	the fixed vehicles rental agreement entered into between CTTTS and CTS (Holdings) on 15 July 2020 in respect of the provision of staff transportation services by CTTTS to CTS (Holdings) in Hong Kong for the period from 16 July 2020 to 30 June 2021
“2021 HK Fixed Vehicles Rental Agreement”	the fixed vehicles rental agreement entered into between CTTTS and CTS (Holdings) on 29 September 2021 in respect of the provision of staff transportation services by CTTTS to CTS (Holdings) in Hong Kong for the period from 1 July 2021 to 30 June 2022
“Agreements”	the Cross-border Operation Small Vehicles Rental Agreement, 2020 HK Fixed Vehicles Rental Agreement and 2021 HK Fixed Vehicles Rental Agreement
“Annual Cap(s)”	the annual cap amounts in respect of the Transactions for each of the two financial years ending 31 December 2022
“associate(s)”, “connected person(s)”, “controlling shareholder(s)”, “subsidiary(ies)”	each of which has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company

“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)
“Company”	China Travel International Investment Hong Kong Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 308)
“Cross-border Operation Small Vehicles Rental Agreement”	the cross-border operation small vehicles rental agreement entered into between CTTTS and CTS Financial Investment on 10 February 2019, pursuant to which CTTTS shall rent a cross-border small vehicle to CTS Financial Investment for the period from 1 April 2019 to 31 March 2022
“CTS Financial Investment”	CTS Financial Services Corporation Limited (formerly known as China Travel Financial Investment Holdings Co., Limited), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CTS (Holdings)
“CTTTS”	China Travel Tours Transportation Services Hong Kong Limited, a company incorporated in Hong Kong and a non wholly-owned subsidiary of the Company
“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited is a company incorporated in Hong Kong with limited liability. It is interested in 61.15% of the issued share capital of the Company and thus is a controlling shareholder of the Company
“CTS (Holdings) Group”	CTS (Holdings) and its subsidiaries and associates, but excluding the Group for the purpose 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 of and not connected with the Company and its connected persons

“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
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	collectively, the transactions contemplated under the Cross-border Operation Small Vehicles Rental Agreement, the 2020 HK Fixed Vehicles Rental Agreement and the 2021 HK Fixed Vehicles Rental Agreement
“%”	per cent.

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

Hong Kong, 29 September 2021

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Jiang Hong, Mr. Lo Sui On, Mr. Wu Qiang, Mr. Fan Dongsheng and Mr. Tang Yong; 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.