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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 IN RELATION TO RENEWAL OF VEHICLE RENTAL AGREEMENT

THE 2022 HK FIXED VEHICLES RENTAL AGREEMENT

Reference is made to the announcement of the Company dated 29 September 2021, in relation to, among others, the continuing connected transactions under the 2020 HK Fixed Vehicles Rental Agreement and the 2021 HK Fixed Vehicles Rental Agreement.

As the 2021 HK Fixed Vehicles Rental Agreement has expired on 30 June 2022, and CTTTS expects to continually provide staff transportation services to CTS (Holdings) in Hong Kong amidst the outbreak of COVID-19 pandemic, the 2022 HK Fixed Vehicles Rental Agreement has been entered into between CTTTS and CTS (Holdings) on 30 June 2022 to renew the 2021 HK Fixed Vehicles Rental Agreement for a term of one year commenced from 1 July 2022 and ending on 30 June 2023.

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. The 2022 HK Fixed Vehicles Rental Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual cap for the continuing connected transactions contemplated under the 2022 HK Fixed Vehicles Rental Agreement exceed(s) 0.1% but all are less than 5%, and the annual cap is more than HK\$3,000,000, the transactions contemplated under the 2022 HK Fixed Vehicles Rental Agreement are 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

Reference is made to the announcement of the Company dated 29 September 2021, in respect of the continuing connected transactions in relation to the provision of vehicle rental and staff transportation services by CTTTS under the 2020 HK Fixed Vehicles Rental Agreement and the 2021 HK Fixed Vehicles Rental Agreement.

The 2021 HK Fixed Vehicles Rental Agreement has expired on 30 June 2022, and CTTTS expects to continually provide staff transportation services to CTS (Holdings) in Hong Kong amidst the outbreak of COVID-19 pandemic, the 2022 HK Fixed Vehicles Rental Agreement has been entered into between CTS (Holdings) and CTTTS on 30 June 2022 to renew the 2021 HK Fixed Vehicles Rental Agreement for a term of one year commenced from 1 July 2022 and ending on 30 June 2023.

THE 2022 HK FIXED VEHICLES RENTAL AGREEMENT

The principal terms of the 2022 HK Fixed Vehicles Rental Agreement are set out as follows:

Date 30 June 2022

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

Term

1 July 2022 to 30 June 2023 (both days inclusive)

Transaction Nature

CTTTS and CTS (Holdings) agreed that CTTTS shall provide staff transportation and related services to CTS (Holdings). Under the 2022 HK Fixed Vehicles Rental Agreement, CTTTS shall 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 in respect of staff transportation and related services chargeable by CTTTS to CTS (Holdings) under the 2022 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 transportation service fees under the 2022 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 fees, which are no less favourable to the Group than the service fees chargeable by CTTTS to Independent Third Parties for the provision of transportation services of similar nature.

Payment Terms

The transportation service fees under the 2022 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 TRANSACTION AMOUNTS AND ANNUAL CAP

Historical transaction amounts

The actual transaction amounts for the continuing connected transactions under the 2020 HK Fixed Vehicles Rental Agreement and the 2021 HK Fixed Vehicles Rental Agreement for each of the two financial years ended 31 December 2020 and 31 December 2021, and the period from 1 January 2022 to 31 May 2022 were HK\$2,713,000, HK\$4,018,000 and HK\$877,000, respectively (the “**Historical Transaction Amounts**”).

Annual Cap

As disclosed in the announcement of the Company dated 29 September 2021, the annual cap for, amongst others, the transportation service fees chargeable by CTTTS for the year ending 31 December 2022 is HK\$9,300,000.

The annual cap for the transactions under the 2022 HK Fixed Vehicles Rental Agreement as follows:

**For the year ending
31 December 2023**
HK\$'000

Transportation services fees chargeable by CTTTS	7,000
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The above annual cap is determined based on (i) the Historical Transaction Amounts, including the annualized transaction amount for 2022 estimated based on the transaction amount for the period from 1 January 2022 to 31 May 2022; (ii) the expected total transaction amount in respect of transportation services for the year ending 31 December 2023 based on the fixed rate of services fees; (iii) the expected demand for transportation services of the Group by the CTS (Holding) Group upon the potential extension of the transaction after 30 June 2023; and (iv) a reasonable buffer for any adjustment to the hours and scope of service to be provided by CTTTS under the 2022 HK Fixed Vehicle Rental Agreement.

The above is merely assumed for the purpose of determining the annual cap 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 cap in deciding how or whether or not to deal in the shares of the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2022 HK FIXED VEHICLE RENTAL AGREEMENT

The Group's cross-border bus services have been suspended due to COVID-19, causing serious setback to its passenger transportation operations. Having considered the background of CTS (Holdings), it is expected that a stable revenue and cashflow stream may be derived from the provision of transportation services under the 2022 HK Fixed Vehicle Rental Agreement.

The Directors (including the independent non-executive Directors) considered that the 2022 HK Fixed Vehicles Rental Agreement was entered into in the ordinary and usual course of business of the Group, and the terms under the 2022 HK Fixed Vehicles Rental Agreement (including the annual cap) were determined after arm's length negotiation between CTTTS and CTS (Holdings) are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Mr. Jiang Hong and Mr. Tang Yong are directors of certain subsidiaries of China CTS, Mr. Wu Qiang holds certain executive positions at CTS (Holdings), and Mr. Tsang Wai Hung is a director of CTS (Holdings). Such Directors are considered to be having material interest in and have therefore abstained from voting on the Board resolutions approving the 2022 HK Fixed Vehicles Rental Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the other Directors has any material interest in the 2022 HK Fixed Vehicles Rental Agreement and the transactions contemplated thereunder and accordingly, none of them was required to abstain from voting on the Board resolutions thereof.

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 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.

China CTS, the ultimate controlling shareholder of CTS (Holdings) and the Company, is a central state-owned enterprise under the supervision of State-owned Assets Supervision and Administration Commission of the State Council of the PRC. The China CTS Group is principally engaged in travel business, real estate development and finance.

INTERNAL CONTROL MEASURES ON THE CONTINUING CONNECTED TRANSACTIONS

In accordance with the Listing Rules, the Company will at all times comply 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 2022 HK Fixed Vehicles Rental 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 CTS (Holdings) Group, namely:

- (i) the Company will report the transaction under the 2022 HK Fixed Vehicles Rental 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 shall ensure that such kind of reporting shall be conducted not less than twice in a year;
- (ii) the Company's financial department will review the transaction with the CTS (Holdings) Group to identify any continuing connected transaction that may be at risk of exceeding the annual cap, 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 transaction will be conducted in accordance with the terms of the 2022 HK Fixed Vehicles Rental Agreement. The Group's business department will conduct random internal checks on the fees and terms of the transactions on a quarterly basis to ensure that the internal control measures in respect of the continuing connected transaction remain complete and effective and the requirements under the Listing Rules are being complied with;
- (iii) the business department of the Group would compare the comparable fees charged by CTTTS for the transportation services rendered under the 2022 HK Fixed Vehicles Rental Agreement in order to confirm that the fees charged by CTTTS is no less favourable than those charged by similar service providers to Independent Third Parties;
- (iv) the transaction contemplated under the 2022 HK Fixed Vehicles Rental 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 the transaction under the 2022 HK Fixed Vehicles Rental Agreement was conducted in accordance with the terms of the 2022 HK Fixed Vehicles Rental Agreement, on normal commercial terms and fair and reasonable and in the interests of the Shareholders as a whole, and the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transaction is conducted in accordance with the pricing policy set out in the 2022 HK Fixed Vehicles Rental Agreement; and

- (v) the auditors of the Company will conduct annual review and provide annual confirmation in accordance with the Listing Rules in respect of the transactions contemplated under the 2022 HK Fixed Vehicles Rental Agreement.

LISTING RULES IMPLICATIONS

CTS (Holdings) is a connected person of the Company under Chapter 14A of the Listing Rules by virtue of being a controlling shareholder of the Company which is interested in 61.15% of the issued share capital of the Company.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual cap for the continuing connected transactions contemplated under the 2022 HK Fixed Vehicles Rental Agreement exceed(s) 0.1% but all are less than 5%, and the annual cap is more than HK\$3,000,000, the transactions contemplated under the 2022 HK Fixed Vehicles Rental Agreement are 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
“2022 HK Fixed Vehicles Rental Agreement”	the fixed vehicles rental agreement entered into between CTTTS and CTS (Holdings) on 30 June 2022 in respect of the provision of staff transportation services by CTTTS to CTS (Holdings) in Hong Kong for the period from 1 July 2022 to 30 June 2023
“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

“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)
“China CTS Group”	China CTS and its subsidiaries, but excluding the Group for the purpose of this announcement
“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)
“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, a company incorporated in Hong Kong and 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”	Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratio”	has the meaning ascribed to it under the Listing Rules

“PRC”	the People’s Republic of China (excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan for the purpose of this announcement)
“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, 30 June 2022

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Jiang Hong, Mr. Lo Sui On, Mr. Chen Xianjun and Mr. Tang Yong; two non-executive Directors, namely Mr. Wu Qiang and 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.