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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)

REVISION OF ANNUAL CAPS RELATING TO THE TRAVEL PERMIT ADMINISTRATION SERVICES CONTEMPLATED UNDER THE AGENCY AGREEMENT

REVISION OF ANNUAL CAPS RELATING TO THE TRAVEL PERMIT ADMINISTRATION SERVICES

References are made to the announcement of the Company dated 16 November 2021 and the circular of the Company dated 7 December 2021 in relation to, among others, the continuing connected transactions contemplated under the Agency Agreement.

CTSPI has been providing Travel Permit Administration Services to CTS (Holdings) as continuing connected transactions under the Agency Agreement since 2001. CTSPI entered into the Deed of Novation in relation to the Agency Agreement with CTSEP and CTS (Holdings) on 1 June 2020, pursuant to which the parties agreed that CTSEP shall undertake and perform, on behalf of CTSPI, all its obligations under the Agency Agreement, and assume, on behalf of CTSPI, its rights and benefits under the Agency Agreement, for a term until 30 June 2047. At the extraordinary general meeting of the Company dated 23 December 2021, the then independent Shareholders approved the Travel Permit Administration Services under the Agency Agreement as a continuing connected transaction and the maximum aggregate annual value for the Travel Administration Services for each of the three years ending 31 December 2024. Due to the increasing demand in the Travel Permit Administration Services following the relaxation of COVID-19 pandemic related travelling restrictions and social distancing measures on Hong Kong and the PRC, the aggregate annual value for the Travel Permit Administration Services for each of the two years ending 31 December 2024 is expected to exceed the original projection, which was formulated in 2021 amidst uncertain times due to the lingering impacts brought by COVID-19 pandemic. The Existing Annual Caps are expected to be insufficient, therefore, the Company proposes to revise the Existing Annual Caps for each of the two years ending 31 December 2024 to re-comply with the announcement and shareholders' approval requirements in accordance with Rules 14A.54 of the Listing Rules.

LISTING RULES IMPLICATIONS

CTS (Holdings) is a connected person of the Company by virtue of being a controlling shareholder. As CTG holds the entire issued share capital of CTS (Holdings), CTG and the CTG Group are connected persons of the Company under the Listing Rules.

As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules for the Revised Annual Caps for the Travel Permit Administration Services exceed 5% and the Revised Annual Caps are more than HK\$10,000,000, the Revised Annual Caps and continuing provision of the Travel Permit Administration Services is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

A circular containing, among others, further details of the renewal of the Travel Permit Administration Services (including the Revised Annual Caps), the respective advice of the Independent Financial Adviser and the Independent Board Committee and the notice of the EGM is expected to be dispatched to the Shareholders on or before 20 September 2023.

BACKGROUND

References are made to the announcement of the Company dated 16 November 2021 and the circular of the Company dated 7 December 2021 in relation to, among others, the continuing connected transactions contemplated under the Agency Agreement.

CTSPI has been providing Travel Permit Administration Services to CTS (Holdings) as continuing connected transactions under the Agency Agreement since 2001. CTSPI entered into the Deed of Novation in relation to the Agency Agreement with CTSEP and CTS (Holdings) on 1 June 2020, pursuant to which the parties agreed that CTSEP shall undertake and perform, on behalf of CTSPI, all its obligations under the Agency Agreement, and assume, on behalf of CTSPI, its rights and benefits under the Agency Agreement, for a term until 30 June 2047.

At the extraordinary general meeting of the Company held on 23 December 2021, the then independent Shareholders approved the Travel Permit Administration Services under the Agency Agreement as a continuing connected transaction and the Existing Annual Caps for each of the three years ending 31 December 2024.

Due to the increasing demand in the Travel Permit Administration Services following the relaxation of COVID-19 pandemic related travelling restrictions and social distancing measures in Hong Kong and the PRC, the aggregate annual amount for the Travel Permit Administration Services for each of the two years ending 31 December 2024 is expected to exceed the original projection, which was formulated in 2021 amidst uncertain times due to the lingering impacts brought by COVID-19 pandemic. The Existing Annual Caps are expected to be insufficient, therefore, the Company proposes to revise the Existing Annual Caps for each of the two years ending 31 December 2024.

PROPOSED REVISION OF THE EXISTING ANNUAL CAPS

Principal Terms of the Agency Agreement and Deed of Novation

CTS (Holdings) has been appointed by the PRC government to provide general administration services in Hong Kong for the application of tourist visas and travel permits for entry into the PRC. Pursuant to the Agency Agreement dated 15 May 2001 and the Deed of Novation dated 1 June 2020, it was agreed that CTSEP would provide general administration services in Hong Kong to CTS (Holdings) for the application for tourist visas and travel permits for entry into the PRC, for a fixed term until 30 June 2047.

Pricing Basis

In accordance with the terms of the Agency Agreement and the Deed of Novation, which were negotiated on an arm's length basis between the parties, CTS (Holdings) agreed to pay CTSPI or CTSEP (as applicable) 45% of the gross fee revenue from travel permit applications for the services provided by CTSPI or CTSEP (as applicable) in relation to Travel Permit Administration Services. The agency fees will be payable monthly in cash.

The fees of Travel Permit Administration Services rendered by CTSPI or CTSEP (as applicable) were determined on the basis of cost of providing the service plus reasonable profit. The profit margin of Travel Permit Administration Services is higher than the profit margin of PRC visa services provided by CTSPI or CTSEP (as applicable) to foreigners and is deemed fair and reasonable by the Company and CTS (Holdings).

Historical Transaction Amounts

The total amount of the continuing connected transactions in connection with the Travel Permit Administration Services for the financial year ended 31 December 2022 and the seven months ended 31 July 2023 were HK\$82,888,000 and HK\$206,708,000, respectively.

Existing Annual Caps

The Existing Annual Caps for the continuing connected transactions in connection with the Travel Permit Administration Services are set out as follows:

| | For the year ending 31 December | | |
|--|--|-----------------|-----------------|
| | 2022 | 2023 | 2024 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Maximum amount of fees for the provision of Travel Permit Administration Services by CTSEP | 310,000 | 310,000 | 310,000 |

As at the date of this announcement, based on the Group's latest unaudited management accounts and operational data, the actual transaction amounts for the provision of Travel Permit Administration Services have not exceeded the Existing Annual Cap for the year ending 31 December 2023.

The low utilization rate of the Existing Annual Cap for the financial year ended 31 December 2022 was due to, amongst others, the outbreak of the COVID-19 pandemic and the consequential travel restrictions introduced in the PRC and Hong Kong, which had brought unforeseeable and unprecedented impact to businesses, in particular the travelling industry, thereby resulted in the substantial reduction in demand for Travel Permit Administration Services.

Revised Annual Caps

The Company proposes to revise the Existing Annual Caps for the continuing connected transactions in connection with the Travel Permit Administration Services for the two years ending 31 December 2024 as follows:

| | For the year ending | |
|--|----------------------------|-----------------|
| | 31 December | |
| | 2023 | 2024 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Maximum amount of fees for the provision of Travel Permit Administration Services by CTSEP | 400,000 | 400,000 |

In determining the Revised Annual Caps, the following factors have been taken into account: (i) the historical transaction amounts for 2020, 2021 and 2022 and estimated annualized transaction amounts for 2023 estimated based on the transaction amount for the seven months ended 31 July 2023 in respect of the Travel Permit Administration Services; (ii) the increasing demand in the Travel Permit Administration Services following the relaxation of COVID-19 pandemic related travelling restrictions and social distancing measures in Hong Kong and the PRC; (iii) the enhanced capacity by the extension of working hours of service centre(s) and the opening of a new service centre in 2023 to cope with the increasing demand in Travel Permit Administration Services; and (iv) provision of a buffer of approximately 5% to cover a possible unexpected increase in demand for the travel document business.

The above is merely assumed for the purpose of calculating the Revised Annual Caps, and should not be construed as an indication of the Group's revenue, profitability or trading prospects.

REASONS FOR AND BENEFITS OF THE REVISION OF THE EXISTING ANNUAL CAPS

CTSEP is the commercial entity in Hong Kong having the relevant expertise and brand recognition to carry out the Travel Permit Administration Services on behalf of CTS (Holdings). It is expected that the revision of the Existing Annual Caps will facilitate the expansion of the scale of the Travel Permit Administration Services, thereby benefits the Group with a greater operational scale and stable income stream. In view of past operational convenience and benefits brought to the Group, the Directors (other than the Directors who have abstained from voting, and the independent non-executive Directors whose opinions will be included in the circular to be despatched to the Shareholders after taking into consideration the opinion of the Independent Financial Adviser) consider that the Agency Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms of the Agency Agreement and the Revised Annual Caps are fair and reasonable and the continuing connected transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

LISTING RULES' IMPLICATIONS

CTS (Holdings) is a connected person of the Company by virtue of being a controlling shareholder. As CTG holds the entire issued share capital of CTS (Holdings), CTG and the CTG Group are connected persons of the Company under the Listing Rules. Hence, the Agency Agreement and the transaction contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules in respect of the Revised Annual Caps for the Travel Permit Administration Services exceed 5% and the Revised Annual Caps are more than HK\$10,000,000, the Revised Annual Caps and continuing provision of the Travel Permit Administration Services is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Mr. Wu Qiang and Mr. Tao Xiaobin hold executive positions at CTS (Holdings), Mr. Fan Zhishi is a director of certain subsidiaries of CTG, and Mr. Tsang Wai Hung is a director of CTS (Holdings) (collectively, the "**Excluded Directors**"). The Excluded Directors are considered to be materially interested in the Revised Annual Caps. Save for Mr. Tao Xiaobin who was absent from the Board meeting and did not vote on the Board resolutions in respect of the Revised Annual Caps, all other Excluded Directors has abstained from voting on the said Board resolution(s). Save as disclosed above, none of the other Directors has a material interest in the revision of the Existing Annual Caps, and accordingly, none of them was required to abstain from voting on the Board resolution(s) considering and approving the same.

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 document and related operations, and passenger transportation operations.

CTS (Holdings) is a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company holding 3,385,492,610 Shares, representing 61.15% of the issued share capital of the Company. The CTS (Holdings) Group is principally engaged in travel business and real estate development.

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

CTSEP is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company, which is principally engaged in the provision of Travel Permit Administration Services.

INTERNAL CONTROL MEASURES ON THE 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 Agency 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 transactions under the Agency 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 two times in a year;
- (ii) the Company's finance department will review the transactions with the CTS (Holdings) Group to identify any continuing connected transaction that may be at risk of exceeding the Revised 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 Agency 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 continuing connected transactions remain complete and effective and the requirements under the Listing Rules are being complied with;

- (iii) the Group will monitor the payment from CTS (Holdings) on a monthly basis to ensure that the payment and the timing of payment are in line with the pricing basis and payment terms set out in the Agency Agreement. The business department of the Group will also monitor the profit margin of the Travel Permit Administration Services on a monthly basis to ensure that it is in the interests of the Group to continue to be engaged in Travel Permit Administration Services;
- (iv) the CTS (Holdings) 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;
- (v) the transactions contemplated under the Agency 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 Agency Agreement were conducted in accordance with the terms of the Agency Agreement, on normal commercial terms, 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 transactions are conducted in accordance with the pricing policy set out in the Agency Agreement; and
- (vi) the auditors of the Company will conduct annual review on the pricing and the Revised Annual Caps of the transactions contemplated under the Agency Agreement.

EGM

The EGM will be convened at which the Company will seek the Independent Shareholders' approval for the Revised Annual Caps for the Travel Permit Administration Services. In view of the interest of CTS (Holdings) and its associates in the continuing provision of Travel Permit Administration Services, CTS (Holdings) and its associates (as defined in the Listing Rules) will be required to abstain from voting at the EGM in this regard. The votes to be taken at the EGM will be taken by poll, the results of which will be announced after the EGM.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee (comprising all the independent non-executive Directors namely, Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke, Mr. Huang Hui, Mr. Chen Johnny and Mr. Song Dawei) has been formed to advise the Independent Shareholders whether the Travel Permit Administration Services (including the Revised Annual Caps) are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole, whether or not to vote in favour of the Revised Annual Caps for the Travel Permit Administration Services.

INDEPENDENT FINANCIAL ADVISOR

VBG Capital has been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders on whether the Travel Permit Administration Services (including the Revised Annual Caps) are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and whether or not to vote in favour of the Revised Annual Caps for the Travel Permit Administration Services.

GENERAL

A circular containing, among others, further details of the Travel Permit Administration Services (including the Revised Annual Caps), the respective advice of the Independent Financial Adviser and the Independent Board Committee and the notice of the EGM is expected to be despatched to the Shareholders on or before 20 September 2023.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 4 October 2023 to Monday, 9 October 2023 (both dates inclusive), for the purposes of ascertaining Shareholders' entitlement to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant shares certificates must be lodged with the Company's share register, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 3 October 2023.

DEFINITIONS

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

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| “Agency Agreement” | the agency agreement dated 15 May 2001 entered into between CTSPI and CTS (Holdings) in relation to Travel Permit Administration Services |
| “associate(s)”, “connected person(s)”, “subsidiary(ies)”, “controlling shareholder(s)” | each of which has the meaning as ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Business Day” | any day (other than Saturdays, Sundays and public holidays) on which the Stock Exchange is open for the business of dealing in securities and on which banks are open for business in Hong Kong |

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| “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) |
| “CTG” | China Tourism Group Corporation Limited, a central stated-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) |
| “CTG Group” | CTG and its subsidiaries and associates, but excluding the Group for the purpose of this announcement |
| “CTS (Holdings)” | China Travel Service (Holdings) Hong Kong Limited, a company interested in 3,385,492,610 Shares, representing 61.15% of the issued share capital of the company and a connected person of the Company under the Listing Rules |
| “CTS (Holdings) Group” | CTS (Holdings) and its subsidiaries and associates (including the CTG Group), but excluding the Group for the purpose of this announcement |
| “CTSEP” | China Travel Services Entry Permit Service Hong Kong Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, which is principally engaged in the provision of Travel Permit Administration Services as at the date of this announcement |
| “CTSPI” | China Travel Service Property Investment Hong Kong Limited (formerly known as China Travel Service (Hong Kong) Limited), a company incorporated in Hong Kong and a non wholly-owned subsidiary of the Company, which is principally engaged in investment holding, properties investment in Hong Kong and Macau and operation of a hotel in Macau as at the date of this announcement |
| “Deed of Novation” | the deed of novation dated 1 June 2020 entered into between CTSEP, CTSPI and CTS (Holdings) in relation to the Agency Agreement, pursuant to which the parties agreed that CTSEP shall undertake and perform, on behalf of CTSPI, all its obligations under the Agency Agreement, and assume, on behalf of CTSPI, its rights and benefits under the Agency Agreement, for a term commenced from 1 June 2020 and ending on 30 June 2047 |
| “Directors” | the directors of the Company |
| “EGM” | the extraordinary general meeting of the Company to be convened to approve, among other things, the Revised Annual Caps for the Travel Permit Administration Services |

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| “Existing Annual Cap(s)” | the annual cap amounts in respect of the Travel Permit Administration Services under the Agency Agreement for each of the three financial years ending 31 December 2024 as approved by the independent Shareholders at the extraordinary general meeting of the Company on 23 December 2021 |
| “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 Board Committee” | an independent board committee of the Company comprising of all the independent non-executive Directors, namely, Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke, Mr. Huang Hui, Mr. Chen Johnny and Mr. Song Dawei, formed for advising the Independent Shareholders in respect of the Revised Annual Caps for the Travel Permit Administration Services |
| “Independent Shareholders” | Shareholders other than CTS (Holdings) and its associates and any other persons who are required to abstain from voting on resolutions to approve the Revised Annual Caps for the Travel Permit Administration Services |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “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) |
| “Revised Annual Cap(s)” | the proposed annual cap amounts for each of the two financial years ending 31 December 2024 in respect of the Travel Permit Administration Services under the Agency Agreement |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Share(s)” | ordinary share(s) in the share capital of the Company |
| “Shareholder(s)” | the holder(s) of Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Travel Permit Administration Services” | the general administration services provided in Hong Kong for the application of tourist visas and travel permits for entry into the PRC by CTSPI or CTSEP (as applicable) to CTS (Holdings) |

“VBG Capital” or
“Independent Financial
Adviser”

VBG Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Caps for the Travel Permit Administration Services

“%”

per cent.

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

Hong Kong, 30 August 2023

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Wu Qiang, Mr. Feng Gang and Mr. Li Pengyu; three non-executive Directors, namely Mr. Tsang Wai Hung, Mr. Tao Xiaobin and Mr. Fan Zhishi; 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.