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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should obtain independent professional advice or consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Travel International Investment Hong Kong Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the
Independent Board Committee and the Independent Shareholders**



建泉融資有限公司
VBG Capital Limited

A notice convening the EGM to be held at Form Wing, C/Floor, Metropark Hotel Mongkok, 22 Lai Chi Kok Road, Kowloon, Hong Kong on Monday, 9 October 2023 at 2:30 p.m. is set out on pages 30 to 31 of this circular. Whether or not you are able to attend the EGM, please complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon to the Company's share registrar, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and, in any event, by no later than 48 hours before the time appointed for the holding of the EGM (or adjourned meeting or of the poll, as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM should you so wish.

20 September 2023

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	the Company’s acquisition of CTSPI from CTS (Holdings) in 2001
“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
“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 circular
“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 as at the Latest Practicable Date
“CTS (Holdings) Group”	CTS (Holdings) and its subsidiaries and associates (including the CTG Group), but excluding the Group for the purpose of this circular

DEFINITIONS

“CTSEP”	China Travel Services Entry Permit Service Hong Kong Limited, 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 as at the Latest Practicable Date
“CTSPI”	China Travel Service Property Investment Hong Kong Limited (formerly known as China Travel Service (Hong Kong) Limited), a company incorporated in Hong Kong with limited liability 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 Latest Practicable Date
“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 on Monday, 9 October 2023 at 2:30 p.m. to approve, among other things, the Revised Annual Caps for the Travel Permit Administration Services
“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 held 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

DEFINITIONS

“Hongkong New Travel”	Hongkong New Travel Investments Ltd., a company incorporated under the laws of the British Virgin Islands with limited liability, which holds 1,136,254,901 Shares and is an indirect wholly-owned subsidiary of CTS (Holdings)
“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 at the EGM
“Latest Practicable Date”	15 September 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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 circular)
“Revised Annual Cap(s)”	the proposed revised 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
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“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

DEFINITIONS

“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

LETTER FROM THE BOARD



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)

DIRECTORS:

Executive Directors:

Mr. Wu Qiang (*Chairman*)
Mr. Feng Gang (*General Manager*)
Mr. Li Pengyu

Non-Executive Directors:

Mr. Tsang Wai Hung
Mr. Tao Xiaobin
Mr. Fan Zhishi

Independent Non-Executive Directors:

Mr. Tse Cho Che Edward
Mr. Zhang Xiaoke
Mr. Huang Hui
Mr. Chen Johnny
Mr. Song Dawei

REGISTERED OFFICE:

12th Floor, CTG House
78-83 Connaught Road Central
Hong Kong

20 September 2023

To the Shareholders

Dear Sir or Madam,

**REVISION OF ANNUAL CAPS RELATING TO THE TRAVEL
PERMIT ADMINISTRATION SERVICES CONTEMPLATED
UNDER THE AGENCY AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 30 August 2023 in relation to the proposed revision of the Existing Annual Caps for the Travel Permit Administration Services.

The purpose of this circular is to provide Shareholders with the notice of EGM and further information in relation to the resolution to be proposed at the EGM regarding the adoption of the Revised Annual Caps.

LETTER FROM THE BOARD

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 and the Deed of Novation, 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.

CTSPI and CTS (Holdings) entered into the Agency Agreement on 15 May 2001 to document the transaction relating to the Travel Permit Administration Services for a fixed term of 46 years. The 46-year term of the Agency Agreement was part and parcel of the term of the Acquisition, which was approved by the then independent Shareholders. The Company believes that a fixed contractual term of 46 years enabling CTSPI to provide the Travel Permit Administration Services until 2047 (i.e. 50 years after 1997) is necessary and is in the best interests of the Company.

LETTER FROM THE BOARD

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. Pursuant to the Agency Agreement and the Deed of Novation, CTSEP shall receive the application fees from applicants on behalf of CTS (Holdings) and transfer the application fees received on a given day to CTS (Holdings) on the next Business Day. Payments are made by CTS (Holdings) in arrears on a monthly basis which have to be settled within three Business Days after the end of each month. If CTS (Holdings) cannot settle the payments on time in accordance with the terms of the Agency Agreement, the outstanding amount will be charged at interest at prime rate quoted by the Hong Kong and Shanghai Banking Corporation Limited as at the end of the relevant month plus 1% accruing from the last day of the relevant month up to the actual payment date.

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 overall costs of providing the Travel Permit Administration Services included but are not limited to staff costs, rental expense and depreciation expense. The profit margin of Travel Permit Administration Services for the two financial years ended 31 December 2022 and the seven months ended 31 July 2023 were 92%, 92% and 92%, respectively, which is higher than the profit margin of PRC visa services provided by CTSEP or CTSPI (as applicable), which was 27% in 2021, 31% in 2022 and 22% for the seven months ended 31 July 2023, to foreigners and is deemed fair and reasonable by the Company and CTS (Holdings).

Travel Permit Administration Services and China visa service both involve the provision of administration services in relation to travel documents. Their overall costs include but are not limited to staff costs, depreciation expense and rental expenses. However, regarding gross profit margins, Travel Permit Administration Services and China visa service are separate businesses with different operational patterns and thus different cost components. Travel Permit Administration Services incurs application system service fees and courier service expenses, whereas China visa service incurs visa costs paid to relevant Chinese government body(ies). The direct costs of Travel Permit Administration Services and China visa service are distinct and separable, and, therefore, the gross profit margins of China visa service can be a benchmark.

Judging from the fact that (i) the PRC government has appointed CTS (Holdings) to provide general administration services in Hong Kong for application of tourist visas and travel permits for the entry into the PRC, and CTSPI or CTSEP is the exclusive agent to provide the Travel Permit Administration Services pursuant to the Agency Agreement and the Deed of Novation; and (ii) the Group does not provide identical type of services to other party save for CTS (Holdings), the provision of the Travel Permit Administration Services is unique to the Group and there is no independent entity providing similar services in Hong Kong. As such, the Group did not make reference to the fees of similar services provided by Independent Third Parties when determining the pricing basis of the Travel Permit Administration Services.

LETTER FROM THE BOARD

The Group has compared and taken the following factors into consideration in assessing whether the pricing basis of the Agency Agreement is fair and reasonable:

- (a) China visa service is the business most (but not entirely) comparable with Travel Permit Administration Services amongst the businesses of the Group given both involve the provision of administration for travel documents;
- (b) the quantities of permit applications under Travel Permit Administration Services and China visa applications, and related economy of scale;
- (c) the operations of Travel Permit Administration Services and China visa service are separate; and
- (d) China visa service does not involve the appointment by CTS (Holdings) nor other connected persons of the Company.

Although the Travel Permit Administration Services and China visa service are of different cost components, both of them involve the provision of administration for travel documents. Given that the provision of the Travel Permit Administration Services is unique to the Group and, as disclosed above, the profit margin of the Travel Permit Administration Services is higher than that of China visa service, the Board considers that the Travel Permit Administration Services and the China visa services are comparable to each other.

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

Set forth below are the Existing Annual Caps, historical actual transaction amounts and the utilization of the Existing Annual Caps for the period indicated:

	For the year ended/ending 31 December		
	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000
Existing Annual Caps	310,000	310,000	310,000
Historical actual transaction amounts	82,888	259,238 ^(note)	N/A
Historical utilization rates (%)	26.7%	83.63%	N/A

Note: Represents the actual transaction amounts for the period from 1 January 2023 up to the Latest Practicable Date.

LETTER FROM THE BOARD

As at the Latest Practicable Date, 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
	HK\$'000	HK\$'000
Maximum amount of fees for the provision of Travel Permit Administration Services by CTSEP	400,000	400,000

The Revised Annual Caps for each of the two years ending 31 December 2023 and 2024 are determined after taking into account the following factors:

- (i) the historical transaction amounts for the years 2018 to 2022 and the estimated annualized transaction amounts for 2023 of approximately HK\$354,356,571 (the "**2023 Annualized Amount**") estimated with reference to the transaction amount for the seven months ended 31 July 2023 of HK\$206,708,000.

The historical transaction amounts for the years 2018 and 2019 were HK\$250 million or higher, while the historical transaction amounts for the years 2020, 2021 and 2022 were significant lower due to, amongst others, the impact of the outbreak of the COVID-19 pandemic and related the consequential travel restrictions introduced in the PRC and Hong Kong.

Following the relaxation of the COVID-19 related travel restrictions in the PRC and Hong Kong, there has been an increase in demand for the Travel Permit Administration Services. Based on the actual transaction amounts for the period from 1 January 2023 up to the Latest Practicable Date, approximately 83.63% of the Existing Annual Cap for the year ending 31 December 2023 has been utilized. As the 2023 Annualized Amount has exceeded the Existing Annual Cap for the year ending 31 December 2023, the Company has set the Revised Annual Cap at a level approximately 10% in excess of the 2023 Annualized Amount;

LETTER FROM THE BOARD

- (ii) the increasing demand for 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, there has been a significant increase in the demand for travelling between Hong Kong and Mainland China. As seen in the Statistics on Daily Passenger Traffic published by the Hong Kong Immigration Department, there has been a significant increase in the number of outbound passengers travelling from Hong Kong to Mainland China. Consequentially, the accumulated (during the pandemic period) and current demand for the Travel Permit Administration Services has also increased significantly, resulting in a record monthly transaction amount of HK\$35,000,000 in July 2023 (the “**July 2023 Transaction Amount**”);

Based on the July 2023 Transaction Amount (which is expected to be similar for the period from August to December 2023), the estimated transaction amount for the Travel Permit Administration Services for the period from August to December 2023 is HK\$175,000,000 in aggregate (HK\$35,000,000 X 5 = HK\$175,000,000). On such premises, it is estimated that the transaction amount for the Travel Permit Administration Services for each of the two years ending 31 December 2023 and 2024 would be approximately HK\$381,708,000 (the “**Estimated Annual Amount**”), being the transaction amount for the seven months ended 31 July 2023 of HK\$206,708,000 plus the estimated transaction amount for the five months ended 31 December 2023 of HK\$175,000,000, which is slightly higher than the 2023 Annualized Amount;

- (iii) the enhanced capacity by the extension of working hours of service centre(s) and the opening of a new service centre in Mongkok in June 2023 to cope with the increasing demand for Travel Permit Administration Services; and
- (iv) provision of a buffer of approximately 5% (around HK\$18,200,000) on the Estimated Annual Amount 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 (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular but excluding the executive Director and non-executive Directors who have abstained from voting) 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

LETTER FROM THE BOARD

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.

Taking into account the benefits of the Travel Permit Administration Services as disclosed above, and the internal control measures and pricing mechanisms put in place by the Group to ensure that such transactions are to be conducted fairly and reasonably on terms commensurate with the prevailing market terms, the Board is not aware of any material disadvantages of the Travel Permit Administration Services (including the Revised Annual Caps).

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 as at the Latest Practicable Date. 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 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;

LETTER FROM THE BOARD

- (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.

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 Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

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 have abstained from voting on the said Board resolution(s). Save as disclosed above, none of the other Directors has 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.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all five independent non-executive Directors has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the fairness and reasonableness of the adoption of the Revised Annual Caps, after taking into account the recommendations of the Independent Financial Adviser.

Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke, Mr. Huang Hui, Mr. Chen Johnny and Mr. Song Dawei, being all the independent non-executive Directors, have been appointed by the Board to serve as members of the Independent Board Committee. To the best of knowledge, information and belief of the Directors, no member of the Independent Board Committee has any material interest in the Travel Permit Administration Services (including the Revised Annual Caps).

A letter from the Independent Board Committee is set out on page 16 of this circular.

INDEPENDENT FINANCIAL ADVISER

VBG Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Revised Annual Caps for the Travel Permit Administration Services. A letter from the Independent Financial Adviser is set out on pages 17 to 25 of this circular.

LETTER FROM THE BOARD

EGM

At the EGM to be convened and held at Forum Wing, C/Floor, Metropark Hotel Mongkok, 22 Lai Chi Kok Road, Kowloon, Hong Kong on Monday, 9 October 2023 at 2:30 p.m., the Company will seek Independent Shareholders' approval for Revised Annual Caps for the Travel Permit Administration Services.

CTS (Holdings) and its associates together held 3,385,492,610 Shares as at the Latest Practicable Date, representing approximately 61.15% of the entire issued share capital of the Company. Among these 3,385,492,610 Shares, (i) 2,249,237,709 Shares are held directly by CTS (Holdings); and (ii) 1,136,254,901 Shares are held directly by Hongkong New Travel, which is indirectly wholly owned by CTS (Holdings). In view of the interest of the CTS (Holdings) Group in the continuing provision of Travel Permit Administration Services (including the Revised Annual Caps), CTS (Holdings) and Hongkong New Travel will abstain from voting at the EGM in this regard. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Travel Permit Administration Services (including the Revised Annual Caps) and is therefore required to abstain from voting at the EGM for the relevant resolutions.

The votes to be taken at the EGM will be taken by poll pursuant to Rule 13.39(4) of the Listing Rules, and the results of which will be announced after the EGM in accordance with Rule 13.39(5) of the Listing Rules.

A notice convening the EGM is set out on page 30 to 31 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's share registrar, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 48 hours before the time appointed for the holding of the EGM (or adjourned meeting or of the poll, as the case may be). Completion and return of a form of proxy will not preclude you from attending and voting at the EGM (or adjourned meeting or of the poll, as the case may be) if you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee which is set out on page 16 of this circular and the letter from the Independent Financial Adviser set out on page 17 to 25 of this circular. The Independent Board Committee, having taken into account and based on the recommendation of the Independent Financial Adviser, considers that the Revised Annual Caps for the Travel Permit Administration Services are on normal commercial terms, in the ordinary and usual course of business of the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution proposed to approve the Revised Annual Caps for the Travel Permit Administration Services and the transactions contemplated thereunder.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in appendix I to this circular.

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.

Yours faithfully,

By Order of the Board

China Travel International Investment Hong Kong Limited

Wu Qiang

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Revised Annual Caps for the Travel Permit Administration Services and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



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)

20 September 2023

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular issued by the Company to the Shareholders dated 20 September 2023 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise the Independent Shareholders on whether the Revised Annual Caps for the Travel Permit Administration Services are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board which contains, inter alia, information about the Revised Annual Caps for the Travel Permit Administration Services, and the letter of advice from VBG Capital Limited which contains its advice and the principal factors and reasons it has taken into consideration in giving such advice, in respect of the Revised Annual Caps for the Travel Permit Administration Services.

Having taken into account the principal reasons and factors considered by and the advice of VBG Capital Limited, we consider that the Revised Annual Caps for the Travel Permit Administration Services are being carried out under normal commercial terms in the ordinary and usual course of business of the Company, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Revised Annual Caps for the Travel Permit Administration Services.

Yours faithfully,
**The Independent Board Committee of
China Travel International Investment Hong Kong Limited**
Mr. Tse Cho Che Edward
Mr. Zhang Xiaoke
Mr. Huang Hui
Mr. Chen Johnny
Mr Song Dawei
Independent Non-Executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Travel Permit Administration Services and the Revised Annual Caps for the purpose of inclusion in this circular.



建泉融資有限公司
VBG Capital Limited

21/F., Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

20 September 2023

*To: The independent board committee and the independent shareholders
of China Travel International Investment Hong Kong Limited*

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Travel Permit Administration Services and the Revised Annual Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 20 September 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Capitalized terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular unless the context requires otherwise.

CTSPI has been providing the Travel Permit Administration Services to CTS (Holdings) as continuing connected transactions under the Agency Agreement dated 15 May 2001 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 continuing connected transactions and the Existing Annual Caps for the Travel Administration Services for the three years ending 31 December 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Due to the increasing demand for the Travel Permit Administration Services following the relaxation of COVID-19 pandemic related travelling restrictions and the social distancing measures in Hong Kong and the PRC, the aggregate annual value for the Travel Permit Administration Services for each of the two years ending 31 December 2023 and 2024 may exceed the original projection. Therefore, the Company proposes to revise the Existing Annual Caps for each of the two years ending 31 December 2023 and 2024. According to the Letter from the Board, the continuing provision of Travel Permit Administration Services and the Revised Annual Caps for the two years ending 31 December 2024 have to re-comply with the report, announcement, Independent Shareholders' approval and annual review requirements in accordance with Rules 14A.54 of the Listing Rules.

The Independent Board Committee comprising Messrs. Tse Cho Che Edward, Zhang Xiaoke, Huang Hui, Chen Johnny and Song Dawei (all being the independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Travel Permit Administration Services and the Revised Annual Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the provision of Travel Permit Administration Services is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Revised Annual Caps at the EGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, apart from (i) having acted as the independent financial adviser of the Company relating to, among other things, the Travel Permit Administration Services and the Existing Annual Caps of which a circular dated 7 December 2021 was issued; and (ii) the existing engagement for the Travel Permit Administration Services and the Revised Annual Caps, we did not have any business relationship with the Company, CTS (Holdings), or any director, subsidiary, holding company or substantial shareholder (as defined in the Listing Rules) of CTS (Holdings) currently and within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders of the Company or any of their associates. We consider ourselves independent to form our opinion in respect of the Travel Permit Administration Services and the Revised Annual Caps having considered all the above circumstances.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Travel Permit Administration Services and the Revised Annual Caps, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group. We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the Circular. We have also assumed that all statements of belief, opinions,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, CTS (Holdings), CTG or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Travel Permit Administration Services and the Revised Annual Caps. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to consider events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Shareholders should note that as the Revised Annual Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of revenues or costs to be recorded from the provision of Travel Permit Administration Services. Consequently, we express no opinion as to how closely the actual revenues and costs to be recorded from the provision of Travel Permit Administration Services will correspond with the Revised Annual Caps.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources but we did not conduct any independent investigation into the accuracy and completeness of such information.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Travel Permit Administration Services and the Revised Annual Caps, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Travel Permit Administration Services and the Revised Annual Caps

Business overview of the Group

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.

Information on the connected parties

Information on CTS (Holdings)

As extracted from the Letter from the Board, 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.

Information on CTG

As extracted from the Letter from the Board, CTG, the ultimate controlling shareholder of CTS (Holdings) and the Company, is 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. The CTG Group is principally engaged in travel business, real estate development and finance.

As referred to in the official website of CTG (www.ctg.cn), as at the end of 2022, CTG controlled over 650 companies and its total assets exceeded RMB210 billion. Other than the Company, listed subsidiaries of CTG include China Tourism Group Duty Free Corporation Limited (中國旅遊集團中免股份有限公司) (Stock code: 601888). For the year ended 31 December 2022, China Tourism Group Duty Free Corporation Limited recorded total revenue and net profit of approximately RMB54.4 billion and RMB6.2 billion, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reasons for and possible benefits of the Travel Permit Administration Services and the Revised Annual Caps

As advised by the Directors, the PRC government has appointed CTS (Holdings) to provide general administration services in Hong Kong for application of tourist visas and travel permits for entry into the PRC. Pursuant to the Agency Agreement dated 15 May 2001, CTSPI has been providing the Travel Permit Administration Services to CTS (Holdings) as continuing connected transactions since 2001. On 1 June 2020, CTSPI entered into the Deed of Novation in relation to the Agency Agreement with CTSEP and CTS (Holdings), 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. As represented by the Directors, 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).

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 continuing connected transactions and the Existing Annual Caps for the Travel Administration Services for the three years ending 31 December 2024.

Due to the increasing demand for the Travel Permit Administration Services following the relaxation of COVID-19 pandemic related travelling restrictions and the social distancing measures in Hong Kong and the PRC, the aggregate annual value for the Travel Permit Administration Services for each of the two years ending 31 December 2023 and 2024 may exceed the original projection. Therefore, the Company proposes to revise the Existing Annual Caps for each of the two years ending 31 December 2023 and 2024. It is expected that the revision of the Existing Annual Caps will facilitate the expansion of scale of the Travel Permit Administration Services, thereby benefits the Group with a greater operational scale and stable income stream.

Furthermore, based on our independent research, a series of supportive government policies have been introduced to boost the day-to-day tie and cooperative relationship between Hong Kong and the Mainland China. Details are as follows:

- (i) the ongoing development of the tourism and travel industry leveraging on the 14th Five Year Plan for National Economic and Social Development of the PRC (《十四五規劃綱要》) and the framework of “Twin Cities, Three Circles (雙城三圈)” which covers the Shenzhen Bay Quality Development Circle, the Hong Kong Shenzhen Close Interaction Circle and the Mirs Bay/Yan Chau Tong Eco recreation/tourism Circle;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) the increasing business opportunities brought by the Opening Up of the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (《前海方案》), the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (《粵港澳大灣區發展規劃綱要》), and the Plan for the Development of the Guangdong-Macao Intensive Cooperation Zone in Hengqin (《橫琴方案》);
- (iii) the infrastructure projects which have facilitated cross-border travel, such as the Shenzhen-Zhongshan Bridge (深中通道), the Hong Kong-Shenzhen Western Railway (港深西部鐵路), the Hong Kong-Zhuhai-Macao Bridge (港珠澳大橋) and the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (廣深港高鐵路香港段); and
- (iv) the Northbound Travel for Hong Kong Vehicles (港車北上) which allows eligible Hong Kong private cars to travel between Hong Kong and Guangdong via the Hong Kong-Zhuhai-Macao Bridge without the need to obtain regular quotas. The scheme would facilitate Hong Kong residents to drive to Guangdong for business, visiting families or sight-seeing on a short-term basis.

In view of (i) the long-term business relationship between the Group and CTS (Holdings); (ii) the potential income and reputation brought to the Group through the provision of Travel Permit Administration Services; (iii) the increasing demand for the Travel Permit Administration Services following the relaxation of COVID-19 pandemic related travelling restrictions and the social distancing measure in Hong Kong and the PRC; and (iv) the upcoming possible boost of the day-to-day tie and cooperative relationship between Hong Kong and the Mainland China, we are of the view that it is in the interests of the Company and the Shareholders as a whole to continue to provide the Travel Permit Administration Services to CTS (Holdings) and revise the Existing Annual Caps to facilitate the expansion of scale of the Travel Permit Administration Services. Moreover, since the provision of Travel Permit Administration Services is in line with the principal businesses of the Group, we concur with the Directors that the Travel Permit Administration Services are conducted in the ordinary and usual course of business of the Group.

Principal terms of the Travel Permit Administration Services

Pursuant to the Agency Agreement and the Deed of Novation, CTSEP shall provide general administration services in Hong Kong to CTS (Holdings) for application of tourist visas and travel permits for entry into the PRC for a fixed term until 30 June 2047. CTS (Holdings) agreed to pay CTSEP 45% of the gross fee revenue from travel permit applications (the “**Agency Fee**”) for the Travel Permit Administration Services. The Agency Fee will be payable monthly in cash.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon our enquiry with the Directors, we understand that the Agency Fee was determined on the basis of costs of providing the service plus reasonable profit. The overall costs of providing the service include but are not limited to staff costs, rental expense and depreciation expense. Based on our discussion with the Directors, among the existing businesses of the Group, the Travel Permit Administration Services are most comparable to the China visa services provided by the Group to foreigners (the “**Visa Services**”) given that both involve the provision of administration for travel documents. Hence, the profit margin of the Visa Services can be a benchmark for that of the Travel Permit Administration Services, especially under the situation that the provision of Travel Permit Administration Services is unique and there is no independent entity providing similar services. In this regard, we have requested the Company to provide us with the profit margins of the Travel Permit Administration Services and the Visa Services. We have reviewed the calculations and noted that the profit margin of the Travel Permit Administration Services from 2021 to 2023 was around 92%, which was higher than the profit margin of the Visa Services of around or below 30% during the same said period.

As further advised by the Directors, 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 term set out in the Agency Agreement. We have reviewed the relevant invoices and bank transfer documents which proved that in each of the recent months, CTS (Holdings) has been paying the Agency Fee to the Group in accordance with the Agency Agreement.

In light of that (i) the profit margin of the Travel Permit Administration Services was higher than that of the Visa Services; and (ii) CTS (Holdings) has been paying the Agency Fee to the Group in accordance with the Agency Agreement, we are of the opinion that the terms of the Travel Permit Administration Services are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

The 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 as HK\$400,000,000 for each of the two years ending 31 December 2023 and 2024.

As advised by the Directors, in determining the Revised Annual Caps, the following factors have been taken into account: (i) the historical transaction amounts for 2018 to 2022 and the estimated annualized transaction amount for 2023 (the “**2023 Annualized Amount**”) estimated with reference to the transaction amount for the seven months ended 31 July 2023 in respect of the Travel Permit Administration Services; (ii) the increasing demand for the Travel Permit Administration Services following the relaxation of COVID-19 pandemic related travelling restrictions and the social distancing measures in Hong Kong

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and the PRC; (iii) the enhanced capacity by the extension of working hours of the existing service centres and the opening of a new service centre in Mongkok in June 2023 to cope with the increasing demand for the 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.

Commencing from the beginning of 2023, the COVID-19 pandemic related travelling restrictions and the social distancing measures in Hong Kong and the PRC have been gradually relaxed. Among which, normal travel between Hong Kong and the Mainland China was fully resumed from 6 February 2023 onwards. The arrangements concerned include opening up all boundary control points without imposing any prescribed daily numbers of people thereon; cancelling the pre-departure nucleic acid test requirement; and enabling cross-boundary students to resume face-to-face classes in an orderly manner. As a result of these relaxation arrangements, travels between Hong Kong and the Mainland China have jumped robustly. Based on the data released by the Hong Kong Tourism Board, the total number of visitor arrivals to Hong Kong from the Mainland China surpassed 10,000,000 during the first half of 2023, as compared to less than 400,000 during the entire 2022. Concurrently, the number of Hong Kong visitors travelling to the Mainland China has also climbed tremendously. With reference to the figures from the Immigration Department of Hong Kong, the total number of Hong Kong residents travelling to the Mainland China surpassed 4,680,000 in July 2023, growing further by 210,000 as compared to June 2023.

The full resumption of normal travel between Hong Kong and the Mainland China has inevitably led to a significant increase in demand for the Travel Permit Administration Services. As advised by the Directors, the transaction amount for the seven months ended 31 July 2023 in respect of the Travel Permit Administration Services jumped notably to approximately HK\$206,708,000 (the 2023 Annualized Amount being HK\$354,356,571, which is nearly 90% of the relevant Revised Annual Cap), as compared to HK\$82,888,000 for the entire 2022. To cope with the rocketed demand for the Travel Permit Administration Services, we understand that the Group opened a new service centre in Mongkok in June 2023. Consequently, the monthly transaction amount in respect of the Travel Permit Administration Services reached a record high of HK\$35,000,000 in July 2023. Assuming that the situation will be similar in August 2023 to December 2023, the estimated total transaction amount for 2023 will be HK\$381,708,000 (being HK\$206,708,000 + HK\$35,000,000*5) (the “**Estimated Annual Amount**”).

In spite of the Group’s effort to expand its capacity, according to some recent newspaper reports, whilst around 650,000 Hong Kong residents successfully renewed their Home Visit Permit in the first half of 2023, more than 1,000,000 Hong Kong residents have not yet renewed their Home Visit Permit which is soon to expire, indicating that there will be a persistent demand for the Travel Permit Administration Services in the second half of 2023, and likely in 2024 as well. Therefore, we are of the view that either the 2023 Annualized Amount or the Estimated Annual Amount is an appropriate basis for determining

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Revised Annual Caps. Moreover, we understand that a buffer of 5% has been provided to cover the possible unexpected increase in demand for the travel document business and we consider it justifiable given the enhanced capacity of the Group since the opening of its new Mongkok service centre in June 2023 and the resulting record high monthly transaction amount.

Taking into account of the above, we are of the view that the Revised Annual Caps are fair and reasonable.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the Travel Permit Administration Services and the Revised Annual Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the provision of Travel Permit Administration Services is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Revised Annual Caps and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Doris Sing
Managing Director

Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 18 years of experience in corporate finance.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executives

As at the Latest Practicable Date, the interests and short positions of the Directors and the Company's Chief Executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Interests in shares			Interests in underlying shares pursuant to share option	Aggregate interests	% of the issued share capital as at the Latest Practicable Date
	Corporate interest	Personal interest	Family interest			
Mr. Feng Gang	-	-	-	1,640,000	1,640,000	0.03%
Mr. Li Pengyu	-	-	-	1,268,000	1,268,000	0.02%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the Company's chief executive, had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of Substantial Shareholders

As at the Latest Practicable Date, the following persons (other than the Directors or chief executive of the Company) were substantial shareholders of the Company (as defined in the Listing Rules) had interests, directly or indirectly, or short positions in the Shares and underlying Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long position in the Shares

Name of shareholders	Capacity	Number of shares held	% of the issued share capital as at the Latest Practicable Date
CTG	Interest of controlled corporation (<i>Note 1</i>)	3,385,492,610	61.15%
CTS (Holdings)	Interest of controlled corporation and beneficial owner (<i>Note 1 and 2</i>)	3,385,492,610	61.15%
Hongkong New Travel	Beneficial owner (<i>Note 2</i>)	1,136,254,901	20.52%
CTS Asset Management (I) Limited	Interest of controlled corporation (<i>Note 2</i>)	1,136,254,901	20.52%

Note 1: The entire issued share capital of CTS (Holdings) is beneficially owned by CTG. CTS (Holdings) is the immediate holding company of the Company. Accordingly, CTG is taken to be interested in the shares in which CTS (Holdings) is interested pursuant to Part XV of the SFO.

Note 2: Of these 3,385,492,610 shares, 2,249,237,709 shares are held directly by CTS (Holdings). 1,136,254,901 shares are held directly by Hongkong New Travel, which is owned directly as to 100% by CTS Asset Management (I) Limited. CTS Asset Management (I) Limited is 100% directly owned by CTS (Holdings), and CTS (Holdings) and CTS Asset Management (I) Limited are deemed to be interested in the shares in which Hongkong New Travel is interested pursuant to Part XV of the SFO.

Save as disclosed above, the Directors are not aware of any person (other than Directors or chief executive of the Company) who, as at the Latest Practicable Date, had any interest, directly or indirectly, or short position in the Shares and underlying Shares which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Mr. Wu Qiang is the deputy general manager of CTS (Holdings), Mr. Tao Xiaobin is the general manager of the overseas business department of CTS (Holdings) and Mr. Tsang Wai Hung is a director of CTS (Holdings). Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company was a director or employee of a company which has an interest or short position in the Shares and underlying shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2022 (the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of or leased to any member of the Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his or her respective associates was considered to have an interest in a business which competed or was likely to compete, enter directly or indirectly, with the business of the Group other than those business to which the Directors and his or her associates were appointed to represent the interests of the Company and/or the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse changes in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated accounts of the Group were made up.

6. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
VBG Capital Limited	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

VBG Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter dated 20 September 2023 and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, VBG Capital was not beneficially interested in the share capital in any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, VBG Capital was not interested, directly or indirectly, in any assets which had since 31 December 2022 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group or which were proposed to be acquired or disposed of by or leased to any member of the Group.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contract with any member of the Group which was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

8. GENERAL

The share registrar of the Company is Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

In the event of inconsistency, the English text of this circular will prevail over the Chinese text.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.irasia.com/listco/hk/ctii) for a period of 14 days from the date of this circular:

- (a) the Agency Agreement;
- (b) the Deed of Novation;
- (c) the letter from the Independent Financial Adviser, the text of which is set out in this circular; and
- (d) the written consent of VBG Capital as referred to in this Appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of the shareholders of China Travel International Investment Hong Kong Limited (the “**Company**”) will be held at Forum Wing, C/Floor, Metropark Hotel Mongkok, 22 Lai Chi Kok Road, Kowloon, Hong Kong on Monday, 9 October 2023 at 2:30 p.m. to consider as special business and, if thought fit, passing (with or without amendments) the following resolution as ordinary resolution:

1. “**THAT**

- (a) the revised annual caps for the Travel Permit Administration Services under the Agency Agreement in the amounts of HK\$400,000,000 for each of the years ending 31 December 2023 and 2024, respectively (the “**Revised Annual Caps**”), and the transactions contemplated thereunder be and are hereby approved; and
- (b) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to take all steps necessary and expedient to implement and/or give effect to the and implement the Revised Annual Caps for the Travel Permit Administration Services”

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

Hong Kong, 20 September 2023

Notes:

- (1) A member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint more than one proxy to attend and, vote instead of him. A proxy need not be a member of the Company. A proxy form for use at the meeting is enclosed herewith.
- (2) Completion and return of the form of proxy will not preclude a member from attending and voting in person at the Meeting or poll concerned if he so wishes. In the event of a member who has lodged a form of proxy attending the Meeting, his form of proxy will be deemed to have been revoked.
- (3) In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company’s share registrar, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time of the Meeting or any adjournment thereof.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (4) In the case of joint holders of a share, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
- (5) 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 meeting. In order to be eligible to attend and vote at the meeting, all transfer documents accompanied by the relevant share 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.
- (6) The votes to be taken at the Meeting shall be by way of poll.
- (7) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

As at the date of this notice, 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.