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香港中旅國際投資有限公司
CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 308)

CONTINUING CONNECTED TRANSACTIONS 2023 PROPERTY MANAGEMENT SERVICES MASTER AGREEMENT

2023 PROPERTY MANAGEMENT SERVICES MASTER AGREEMENT

On 10 November 2023, the Company and CTG Investment entered into the 2023 Property Management Services Master Agreement for a term commencing from 10 November 2023 and ending on 31 December 2025, pursuant to which the CTG Investment Group will continue to provide Property Management Services to the Group.

LISTING RULES IMPLICATIONS

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

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the continuing connected transactions contemplated under the 2023 Property Management Services Master Agreement exceed(s) 0.1% but all are less than 5%, the Property Management Services contemplated under the 2023 Property Management Services Master Agreement constitutes a continuing connected transaction of the Company and is subject to the reporting, announcement and annual review requirements but is exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

The Group has been carrying on transactions with the CTS Investment Group pursuant to various underlying individual agreements in relation to property management services from time to time. Based on the business needs, growth and operation development of the Group, the Board envisages that the Group will continue to enter into property management services transactions with the CTG Investment Group. Accordingly, in order to streamline the management of future continuing connected transactions in respect of provision of property management services by the CTG Investment Group, on 10 November 2023, the Company and CTG Investment entered into the 2023 Property Management Services Master Agreement for a term commencing from 10 November 2023 and ending on 31 December 2025, pursuant to which the CTG Investment Group will continue to provide Property Management Services to the Group.

THE 2023 PROPERTY MANAGEMENT SERVICES MASTER AGREEMENT

The principal terms of the 2023 Property Management Services Master Agreement are set out as follows:

Date

10 November 2023

Parties

- (i) the Company; and
- (ii) CTG Investment

Term

10 November 2023 to 31 December 2025 (both dates inclusive)

Transaction Nature

The CTG Investment Group will continue to provide Property Management Services to the Group for the properties owned, operated or used by it during the term of the 2023 Property Management Services Master Agreement.

Pursuant to the 2023 Property Management Services Master Agreement, member(s) of the Group will enter into individual agreements (or renewal agreements) with member(s) of the CTG Investment Group during the term of the 2023 Property Management Services Master Agreement in respect of the Property Management Services contemplated thereunder.

Payment terms

Unless otherwise agreed by the parties after arm's length negotiation in the specific individual agreements, service fees shall be paid on a monthly or quarterly basis by members of the Group to members of the CTG Investment Group in cash. The payment terms shall be no less favourable to the Group than those offered by Independent Third Parties for the provision of comparable services to the Group.

Pricing Basis

The service fees for the Property Management Services charged by the CTG Investment Group to the Group shall be negotiated on an arm's length basis, based on normal commercial terms, fair and reasonable, and determined by a pricing mechanism with reference to (where applicable) (i) the location, type, quality and scale of the properties; (ii) the scope and standard of the services to be provided; (iii) the anticipated operational cost (including labour costs, material costs and administrative costs) for providing such services and the anticipated increase in relevant costs due to inflation and economic and social development; (iv) the rate generally offered by the CTG Investment Group to independent third parties of the CTG Investment Group in respect of similar services; and (v) the prevailing market rate generally offered by service providers which are Independent Third Parties of similar services.

The Group's business department will (i) conduct competitive tenders or (ii) obtain a minimum of two contemporaneous quotations from other service providers which are Independent Third Parties, for the purpose of comparing and determining whether the service fee charged for and the terms applicable to a specific transaction in respect of the Property Management Services is fair and reasonable, no less favourable than those offered by Independent Third Parties, and in accordance with the Group's pricing policy set out above.

HISTORICAL TRANSACTION AMOUNTS AND ANNUAL CAPS

The total amount of the continuing connected transactions in connection with the Property Management Services for each of the two financial years ended 31 December 2022 and the nine months ended 30 September 2023 were RMB644,000, RMB3,001,000, and RMB2,373,000, respectively (the "**Historical Transaction Amounts**"). Each of the Historical Transaction Amounts was below the de minimis threshold of 0.1% and/or HK\$3,000,000 under Rule 14A.76(1) of the Listing Rules and hence such property management services were fully exempt from the requirements under Chapter 14A of the Listing Rules.

Annual Caps

The annual caps for the Property Management Services for each of the three years ending 31 December 2025 are as follows:

	For the year ending 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Maximum service fee for the Property Management Services payable by the Group to the CTG Investment Group	3,430	7,280	8,290

In determining the annual caps, the following factors have been taken into account: (i) the growth trend in Historical Transaction Amounts; (ii) the service fees payable by the Group under existing property management service agreements entered into between the Group and the CTG Investment Group; (iii) the additional demand for Property Management Services from the Group from 2024 following the expected completion of the construction works for the Group's new office building in Shenzhen in or around the second half of 2024; (iv) the expected increase in demand for the Property Management Services due to the expected growth in the property area owned or occupied by the Group based on its business development plan; (v) the expected inflation and increment in operational costs; and (vi) a buffer of approximately 10% to cater for additional needs for Property Management Services.

For the period from 1 January 2023 to 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 property management services by the CTG Investment Group to the Group had not exceeded the threshold for the exemption of de minimis transactions under Rule 14A.76(1) and were fully exempt under Chapter 14A of the Listing Rules.

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

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023 PROPERTY MANAGEMENT SERVICES MASTER AGREEMENT

To streamline the management of future continuing connected transactions in respect of the provision of Property Management Services by the CTG Investment Group to the Group, and taking into account the growing business needs of the Group, the Company has entered into the 2023 Property Management Services Master Agreement to provide a framework for governing the Property Management Services between the CTG Investment Group and the Group.

In view of past operational convenience and benefits brought to the Group and extended business relationships established between the Group and the CTG Investment Group, such continuing relationships are expected to bring synergies to the parties. Thus, the Directors (including the independent non-executive Directors) consider that the terms of the 2023 Property Management Services Master Agreement have been negotiated on an arm's length basis and entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the Property Management Services contemplated thereunder and the annual caps are fair and reasonable and 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 of the Company which is interested in 61.15% of the issued share capital of the Company. As CTS (Holdings) holds the entire issued share capital of CTG Investment, CTG Investment is a connected person of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the continuing connected transactions contemplated under the 2023 Property Management Services Master Agreement exceed(s) 0.1% but all are less than 5%, and the annual cap is more than HK\$3,000,000, the transactions contemplated under the 2023 Property Management Services Master Agreement constitute a continuing connected transaction of the Company and are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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), and Mr. Tsang Wai Hung is a director of CTS (Holdings). Such Directors are considered to be materially interested in the 2023 Property Management Services Master Agreement and have therefore abstained from voting on the Board resolution(s) approving the 2023 Property Management Services Master Agreement and the transactions contemplated thereunder (including the annual caps). Save as disclosed above, none of the other Directors has material interest in the 2023 Property Management Services Master Agreement and the transactions contemplated thereunder (including the 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.

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

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

CTG Investment Group is principally engaged in investment and development of tourism real estate projects.

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 2023 Property Management Services Master Agreement. In addition, in order to safeguard the interests of the Company and the Shareholders as a whole, the Group has adopted certain guidelines and principles in monitoring the transactions between the Group and the CTG Investment Group, namely:

- (i) the Company will report the transactions under the 2023 Property Management Services Master Agreement to the independent non-executive Directors during each of the audit committee meetings (if necessary) according to the audit committee meeting agenda. The Company 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 CTG Investment Group to identify any continuing connected transaction that may be at risk of exceeding the annual caps, and any measures to be taken in respect of such continuing connected transaction. The Group has established a series of measures and policies to ensure that the continuing connected transactions will be conducted in accordance with the terms of the 2023 Property Management Services Master 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's business department will, where appropriate, conduct regular reviews to keep abreast of the prevailing fee level in the market and the market condition to ensure that the price charged for, or payable for, and the terms applicable to a specific transaction, is fair and reasonable, comparable to those offered by Independent Third Parties, in line with normal market practices, and is in accordance with the pricing policy;

- (iv) the CTG Investment 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 2023 Property Management Services Master Agreement will be reviewed by the independent non-executive Directors every year and reported in the annual report of the Company which provides a check and balance to ensure that the transactions under the 2023 Property Management Services Master Agreement are conducted in accordance with the terms of the 2023 Property Management Services Master 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 2023 Property Management Services Master Agreement; and
- (vi) the auditors of the Company will conduct annual review on the pricing and the annual caps of the transactions contemplated under the 2023 Property Management Services Master Agreement.

DEFINITIONS

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

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| “2023 Property Management Services Master Agreement” | the master agreement dated 10 November 2023 and entered into between the Company and CTG Investment in relation to the Property Management 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 |
| “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 state-owned enterprise under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, which owns the entire issued share capital of CTS (Holdings) |

“CTG Investment”	CTG Investment Management Corporation Limited, a company established in Hong Kong with limited liability, a direct wholly-owned subsidiary of CTS (Holdings)
“CTG Investment Group”	CTG Investment 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
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	third parties who are independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan for the purpose of this announcement)
“Property Management Services”	the provision of property management services including but not limited to security, concierge, cleaning and disinfection, general repair and maintenance etc. by the CTG Investment Group to the Group in properties owned or occupied by the Group
“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

“%”

per cent.

By Order of the Board

China Travel International Investment Hong Kong Limited

Wu Qiang

Chairman

Hong Kong, 10 November 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.