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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 CAP FOR
CONTINUING CONNECTED TRANSACTIONS
UNDER THE MASTER LEASE AGREEMENT**

REVISION OF ANNUAL CAP

Reference is made to the announcement of the Company dated 30 December 2021 in relation to the continuing connected transaction contemplated under the 2021 Master Lease Agreement.

In view of the expected increase in office space to be leased to the Group by the CTG Group and the expected rise in rental rate, the Board envisages that the Existing Annual Cap in respect of the year ending 31 December 2024 will not be sufficient. Therefore, with effect from 28 December 2023, the Existing Annual Cap for the year ending 31 December 2024 has been revised and increased to the Revised Annual Cap.

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 CTG holds the entire issued share capital of CTS (Holdings), CTG is a connected person of the Company under 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 Revised Annual Cap is more than 0.1% but all are less than 5%, the revision of the Existing Annual Cap 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.

REVISION OF ANNUAL CAP

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Principal terms of the 2021 Master Lease Agreement

Pursuant to the 2021 Master Lease Agreement, the Group may renew or enter into individual tenancy agreements with the CTG Group to obtain leases of certain office premises from the CTG Group.

Pricing Basis

The rental and other charges charged by the CTG 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 the prevailing market prices of comparable properties of similar specifications, size and nature in the vicinity of the premises to be leased, in relation to which the Group will obtain at least two quotations of such rental information for comparison purposes. The rental and other charges payable by the Group to the CTG Group shall not exceed the prevailing market prices with reference to the rental information gathered by the Group of comparable properties in the vicinity and are monitored regularly under the Group's internal control procedures.

Existing Annual Caps

The table below shows the existing annual caps for the total value of right-of-use assets related to leases to be entered into by the Group with the CTG Group during the three years ending 31 December 2024 under the 2021 Master Lease Agreement:

| | For the years ended/ending | | |
|--|----------------------------|---------------|---------------|
| | 31 December | | |
| | 2022 | 2023 | 2024 |
| | <i>HK'000</i> | <i>HK'000</i> | <i>HK'000</i> |
| Existing annual caps for the total value of right-of-use assets related to leases to be entered into by the Group with the CTG Group under the 2021 Master Lease Agreement | 25,279 | 19,289 | 13,230 |

Historical Transaction Amounts

The table below shows the total value of right-of-use assets related to leases entered into by the Group with the CTG Group during the year ended 31 December 2022 and the ten months ended 31 October 2023 under the 2021 Master Lease Agreement:

| | For the year ended 31 December 2022 <i>HK'000</i> | For the ten months ended 31 October 2023 <i>HK'000</i> |
|---|---|--|
| Total value of right-of-use assets related to leases entered into by the Group with the CTG Group under the 2021 Master Lease Agreement | 10,586 | 11,366 |

As at the date of this announcement, based on the Group's latest unaudited management accounts and operational data, the actual total value of right-of-use assets related to leases under the 2021 Master Lease Agreement has not exceeded the existing annual caps for the year ended 31 December 2022 and the year ending 31 December 2023.

Revised Annual Cap

According to HKFRS 16 "Leases", the Group is required to recognize a right-of-use asset and a lease liability, which are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate in the year of entering into the lease where the Group acts as a lessee. The transactions contemplated under the 2021 Master Lease Agreement would be recognized as the acquisitions of right-of-use assets and the Group is required to set annual caps on the total value of right-of-use assets relating to leases to be entered into by the Group as lessee in each year under the 2021 Master Lease Agreement

The table below shows the Revised Annual Cap for the total value of right-of-use assets related to leases to be entered into by the Group with the CTG Group during the year ending 31 December 2024 under the 2021 Master Lease Agreement:

| | For the year ending 31 December 2024 <i>HK\$'000</i> |
|---|--|
| Revised Annual Cap for the total value of right-of-use assets related to leases to be entered into by the Group under the 2021 Master Lease Agreement | 34,000 |

The Revised Annual Cap for the year ending 31 December 2024 is determined with reference to:

- (1) the projected total value of the right-of-use assets involved in the lease of the leased properties by the CTG Group to the Group;
- (2) the historical actual amounts in respect of the lease of properties by the CTG Group to the Group as stated above in the sub-section headed “Historical Transaction Amounts”;
- (3) the expected increase in the Group’s demand for office spaces in Shenzhen, the PRC from the CTG Group to cope with the Group’s expansion plan;
- (4) the availability of lease properties to be provided by the CTG Group;
- (5) the rental amount agreed under the existing leases by the CTG Group under the 2021 Master Lease Agreement;
- (6) the expected market rate of rental payments and the projected increase in rent by approximately 50% for certain properties expected to be leased by the CTG Group to the Group in 2024 following the end of COVID-19; and
- (7) a buffer of approximately 10% to cater for additional needs for office space to be provided by the CTG Group and fluctuation in rental rates.

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

REASONS FOR AND BENEFITS OF THE REVISED ANNUAL CAP AND THE CONTINUING CONNECTED TRANSACTIONS

In view of past operational convenience and benefits brought to the Group and extended business relationships established between the Group and the CTG Group, such continuing relationships are expected to bring synergies to the parties.

The Company is of the view that the revision of the Existing Annual Cap will benefit the Group by (i) saving rental payment as the Group and the CTG Group can enjoy economies of scale through lease transactions amongst them, thereby maximizing cost efficiency; and (ii) providing the Group with stable and successive premises based on fair and reasonable terms for its business (including office space).

The terms and conditions provided by the CTG Group in relation to the leases under the 2021 Master Lease Agreement will be determined with reference to prevailing market prices and terms and no less favourable to the Group than those provided by Independent Third Parties.

The Directors (including the independent non-executive Directors) consider that the terms of the 2021 Master Lease Agreement were entered into on normal commercial terms after arm's length negotiations and in the ordinary and usual course of business of the Group, and that the transactions contemplated thereunder (including the Revised Annual Cap) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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 2021 Master Lease 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 Group, namely:

- (i) the Company will report the transactions under the 2021 Master Lease 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 Group to identify any continuing connected transaction that may be at risk of exceeding the annual caps (including the Revised Annual Cap), and any measures to be taken in respect of such continuing connected transaction. The Group has established a series of measures and policies to ensure that the continuing connected transactions will be conducted in accordance with the terms of the 2021 Master Lease 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) for the purpose of determining the rental and other charges payable by the Group to the CTG Group under the 2021 Master Lease Agreement, the Group's business department will keep track of and refer to the prevailing market prices of comparable properties of similar specifications, size and nature in the vicinity of the premises to be leased, in relation to which the Group will obtain at least two quotations of such rental information for comparison purpose prior to entering into each tenancy agreement. Such quotations will include without limitation (1) the calculation basis of payment; (2) the standard terms and conditions of the rental services; and (3) relevant mediation mechanism and indemnity clauses of the contract. This would ensure that the prices and terms for the leases under the 2021 Master Lease Agreement will be based on prevailing market terms and be no less favourable to the Company than those offered by Independent Third Parties;
- (iv) the CTG 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 2021 Master Lease 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 2021 Master Lease Agreement were conducted in accordance with the terms of the 2021 Master Lease 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 2021 Master Lease Agreement; and
- (vi) the auditor of the Company will conduct annual review on the pricing and the annual caps of the transactions contemplated under the 2021 Master Lease Agreement.

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.

The CTG Group is principally engaged in travel business, real estate development and finance.

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 CTG holds the entire issued share capital of CTS (Holdings), CTG is a connected person of the Company under 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 Revised Annual Cap is more than 0.1% but all are less than 5%, the revision of the Existing Annual Cap 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.

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 revision of the Existing Annual Cap and have therefore abstained from voting on the Board resolution(s) approving the revision of the Existing Annual Cap. Save as disclosed above, none of the other Directors

has material interest in the revision of the Existing Annual Cap, and accordingly, none of them was required to abstain from voting on the Board resolution(s) approving the same.

DEFINITIONS

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

| | |
|---|--|
| “2021 Master Lease Agreement” | the master agreement dated 30 December 2021 and entered into between the Company and CTG in relation to the lease arrangements with the CTG Group as lessor, and where applicable, as amended and supplemented by agreement between the Company and CTG |
| “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) (formerly known as China National Travel Service Group Corporation Limited) |
| “CTG Group” | CTG and its subsidiaries and associates, but excluding the Group for the purpose of this announcement |
| “CTS (Holdings)” | China Travel Service (Holdings) Hong Kong Limited, a company interested in 3,385,492,610 Shares, representing 61.15% of the issued share capital of the company and a connected person of the Company under the Listing Rules |
| “Directors” | the directors of the Company |
| “Existing Annual Cap” | the existing annual cap in the amount of HK\$13,230,000 for the total value of right-of-use assets related to leases to be entered into by the Group for the year ending 31 December 2024 under the 2021 Master Lease Agreement |

| | |
|-----------------------------|--|
| “Group” | the Company and its subsidiaries |
| “HKFRS” | Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants |
| “HKFRS 16” | Hong Kong Financial Reporting Standard 16 “Leases”, effective on 1 January 2019 |
| “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) |
| “Revised Annual Cap” | the revised annual cap in the amount of HK\$34,000,000 for the total value of right-of-use assets related to leases to be entered into by the Group for the year ending 31 December 2024 under the 2021 Master Lease Agreement |
| “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, 28 December 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.