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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 MANAGEMENT SERVICES MASTER AGREEMENT

Reference is made to the announcement of the Company dated 28 December 2018 in respect of the continuing connected transactions in relation to the provision of management services by the Company to the CTS Real Estate Group under the 2018 Management Services Master Agreement.

As the 2018 Management Services Master Agreement has expired on 31 December 2021, the Company entered into the 2022 Management Services Master Agreement with China CTS on 18 March 2022, pursuant to which the Company will continue to provide management services to the CTS Real Estate Group for a term commencing from 18 March 2022 and ending on 31 December 2024.

LISTING RULES IMPLICATIONS

CTS (Holdings) is a connected person of the Company by virtue of being a controlling shareholder. As China CTS holds the entire issued share capital of CTS (Holdings), China CTS and the China CTS Group, including the CTS Real Estate Group, are connected persons of the Company under the Listing Rules. The 2022 Management Services Master Agreement and the transactions contemplated thereunder constitute continuing connected transactions 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 annual caps for the continuing connected transactions contemplated under the 2022 Management Services Master Agreement exceed 0.1% but all are less than 5%, and the annual caps are more than HK\$3,000,000, the transactions contemplated under the 2022 Management Services Master Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND INFORMATION

Reference is made to the announcement of the Company dated 28 December 2018 in respect of the continuing connected transactions in relation to the provision of management services by the Company to the CTS Real Estate Group under the 2018 Management Services Master Agreement.

As the 2018 Management Services Master Agreement has expired on 31 December 2021, the Company entered into the 2022 Management Services Master Agreement with China CTS on 18 March 2022, pursuant to which the Company will continue to provide management services to the CTS Real Estate Group for a term commencing from 18 March 2022 and ending on 31 December 2024.

THE 2022 MANAGEMENT SERVICES MASTER AGREEMENT

It is contemplated that individual specific agreements will be entered into between the Group and the CTS Real Estate Group in respect of the transactions within the scope of the 2022 Management Services Master Agreement. The terms of the specific agreements will be entered into in accordance with the principles set out in the 2022 Management Services Master Agreement. In the event that there is any conflict between the terms of any such specific agreement and the terms of the 2022 Management Services Master Agreement, the terms of the 2022 Management Services Master Agreement shall prevail.

The principal terms of the 2022 Management Services Master Agreement are as follows:

Date

18 March 2022

Parties

- (i) the Company; and
- (ii) China CTS

Term

18 March 2022 to 31 December 2024 (both days inclusive)

The parties agreed that the 2022 Management Services Master Agreement may be renewed upon mutual agreement in writing by both parties within three months prior to the expiry day, subject to the requirements under the Listing Rules and other Hong Kong laws and regulations.

The Management Services

Pursuant to the 2022 Management Services Master Agreement, the principal scope of the management services to be provided by the Company includes, among other things:

- (1) management services in respect of the strategic and project development and management, business operations, finance, human resources, marketing and administration of the CTS Real Estate Group;
- (2) preparation of annual budgets, operational plan, and investment and financing proposal, and their implementation after obtaining approval from the board of directors of the CTS Real Estate Group;
- (3) formulation of the management structure plans and basic management systems for the CTS Real Estate Group;
- (4) appointment or dismissal of the management personnel of the CTS Real Estate Group;
- (5) preparation of resolutions for the purposes of board meetings or shareholders' meetings of the CTS Real Estate Group; and
- (6) other operational-related duties and responsibilities not under the direct authority of the board of directors or the shareholders of the CTS Real Estate Group.

Pricing Basis

The management fee for each individual agreement will be negotiated and determined on normal commercial terms and fair and reasonable when the individual agreement is entered into between the Company and the CTS Real Estate Group and at a price determined upon the basis of the principle of "full cost-plus" which is based on the total cost arising from the provision of management service to the CTS Real Estate Group by the Company plus a margin of not less than 4.71% as agreed after arm's length negotiation between the Company and China CTS.

In determining the costs, the Company will take into account the actual costs incurred (including, among others, the costs of human resources, business development and other resources). In determining the minimum margin, the Company has taken into account the scope and types of the services to be provided by the Company to the CTS Real Estate Group, and the analysis performed by the Company in respect of the market margin by making comparisons with comparable organizations providing similar services under similar terms.

During the term of the 2022 Management Services Master Agreement, the Company will as an internal control measure, make reference to the fees and terms in relation to the provision of management services of similar nature and of similar terms to Independent Third Parties (if any) on a regular basis and compare them with the fees and terms for the provision of services by the Company to the CTS Real Estate Group to ensure that the fees receivable by the Company from the CTS Real Estate Group will be no less favourable than the fees receivable from Independent Third Parties for the provision of services of similar nature and of similar terms, and are based on normal commercial terms and fair and reasonable.

Payment

The management fee under the 2022 Management Services Master Agreement will be payable by the CTS Real Estate Group in cash on a quarterly basis.

Historical Transaction Amounts

The historical transaction amounts of the transactions under the 2018 Management Services Master Agreement for the three years ended 31 December 2021 were as follows:

	Year ended 31 December		
	2019 (RMB)	2020 (RMB)	2021 (RMB)
Transaction amounts for the provision of management services by the Company to the CTS Real Estate Group	<u>51,887,000</u>	<u>51,887,000</u>	<u>51,887,000</u>

Historical Annual Caps

The historical annual caps for the transactions under the 2018 Management Services Master Agreement for each of the three years ended 31 December 2021 were as follows:

	Year ended 31 December		
	2019 (RMB)	2020 (RMB)	2021 (RMB)
Historical annual caps for the provision of management services by the Company to the CTS Real Estate Group	<u>55,000,000</u>	<u>55,000,000</u>	<u>55,000,000</u>

Annual Caps

The annual caps for the transactions under the 2022 Management Services Master Agreement for each of the three years ending 31 December 2024 are as follows:

	Year ending 31 December		
	2022 (RMB)	2023 (RMB)	2024 (RMB)
Annual caps for the provision of management services by the Company to the CTS Real Estate Group	<u>60,500,000</u>	<u>60,500,000</u>	<u>60,500,000</u>

The annual caps were determined with reference to the historical transaction amounts of the management services provided by the Company to the CTS Real Estate Group under the 2018 Management Services Master Agreement, the potential increase in demand for the management services required by the CTS Real Estate Group during the term of the 2022 Management Services Master Agreement, the estimated full cost of the Company (including time to be spent by staff members of the Company, utilization of office support and the expected costs, expenses and disbursements incurred by the Company in the course of its provision of the management services to the CTS Real Estate Group) and a margin as aforesaid in order to achieve a reasonable income for the Company.

The above is merely assumed for the purpose of determining the annual caps and shall not be regarded as any indication directly or indirectly as to the Group's revenue, profitability or trading prospects. Shareholders or potential investors of the Company should not rely on the annual caps in deciding how or whether or not to deal in the Shares.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTINUING CONNECTED TRANSACTIONS

By entering into the 2022 Management Services Master Agreement and leveraging its experience and expertise in tourism real estate management, the Company can strengthen the linkage between its travel destinations and tourism real estate businesses, further improve the comprehensive development plan for its travel destination business, and reinforce integrated operational capability for comprehensive travel destination projects to provide more comprehensive products and services for the market, thereby enhancing its competitiveness, market influence and further implementing its strategic positioning and development plan with an aim to develop a comprehensive destination operation and investment business by integrating scenic spots, resorts and real estate in its comprehensive travel destinations. The management of real estate assets and future real estate investment projects of China CTS under the 2022 Management Services Master Agreement will not only enable the Company to benefit from the quality tourism resources of China CTS with synergies and maximized asset yields, but also expand its revenue stream and increase its cash flow.

The Directors (including the independent non-executive Directors) consider that (i) the terms of the 2022 Management Services Master Agreement are determined after arm's length negotiation between the Company and China CTS and are fair and reasonable, and (ii) the 2022 Management Services Master Agreement and the continuing connected transactions contemplated thereunder (including the annual caps) are on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Shareholders and the Company as a whole.

INFORMATION OF THE PARTIES

The principal business activities of the Group include operations of travel destinations (including hotels, theme parks, natural and cultural spots, and leisure resorts), travel documents and related operations, passenger transportation operations.

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

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

CTS Shenzhen Investment is a company established in the PRC with limited liability and a direct wholly-owned subsidiary of China CTS. It is principally engaged in real estate investment.

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

INTERNAL CONTROL MEASURES ON THE CONTINUING CONNECTED TRANSACTIONS

In accordance with the Listing Rules, the Company will at all times comply with the applicable provisions under Rules 14A.34, 14A.51 to 14A.59 of the Listing Rules in respect of the continuing connected transactions contemplated under the 2022 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 China CTS Group, namely:

- (i) the Company will report the transactions under the 2022 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 twice in a year;
- (ii) the Company's financial department will review the transactions with the China CTS 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 2022 Management Services Master Agreement. The Group's business department will conduct random internal checks on the fees and terms of the transactions and individual agreements 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 business department of the Group would on a half-yearly basis obtain at least 2 recent comparable fee margins charged by service providers of the provision of similar type, nature and quality of services to Independent Third Parties;

- (iv) the Group would compare the comparable fee margins charged by the Group for the services rendered under the 2022 Management Services Master Agreement in order to confirm that the fees charged by the Group is no less favourable than those charged by similar service providers to Independent Third Parties;
- (v) in the event that the fee margins charged by the Group are lower than the fee margins charged by service providers to Independent Third Parties as obtained by the Group, the Group will further negotiate with China CTS to adjust the fee margins for future services under the 2022 Management Services Master Agreement to be no less favourable than those fee margins obtained by the Group as regards Independent Third Parties;
- (vi) the China CTS 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 in relation to the continuing connected transactions under the 2022 Management Services Master Agreement;
- (vii) the transactions contemplated under the 2022 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 2022 Management Services Master Agreement were conducted in accordance with the terms of the 2022 Management Services Master Agreement, on normal commercial terms and fair and reasonable and in the interests of the Shareholders as a whole, and the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the pricing policy set out in the 2022 Management Services Master Agreement; and
- (viii) the auditor of the Company will conduct annual review and provide annual confirmation in accordance with the Listing Rules of the transactions contemplated under the 2022 Management Services Master Agreement.

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To the best knowledge, information and belief of the Directors having made all reasonable enquiry, Mr. Jiang Hong, Mr. Wu Qiang and Mr. Tang Yong are directors of CTS Shenzhen Investment, a subsidiary of China CTS. Mr. Jiang Hong and Mr. Wu Qiang are directors of CTG Investment, a subsidiary of CTS (Holdings), and Mr. Tsang Wai Hung is a director of CTS (Holdings). They are regarded as having material interest in the 2022 Management Services Master Agreement and have therefore abstained from voting on the Board resolution approving the 2022 Management Services Master Agreement and the transactions contemplated thereunder (including the annual caps). Save as disclosed above, none of other Directors has a material interest in the 2022 Management Services Master Agreement and the transactions contemplated thereunder, and accordingly, none of them was required to abstain from voting on the Board resolutions for considering and approving the same.

DEFINITIONS

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

“2018 Management Services Master Agreement”	the management services master agreement dated 28 December 2018 entered into between the Company and China CTS in relation to the provision of certain management services by the Company to the CTS Real Estate Group
“2022 Management Services Master Agreement”	the management services master agreement dated 18 March 2022 entered into between the Company and China CTS in relation to the provision of certain management services by the Company to the CTS Real Estate Group
“associate(s)”, “connected person(s)”, “subsidiary(ies)”, “controlling shareholder(s)”	each of which has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company

“China CTS”	China National Travel Service Group Corporation Limited, a central state-owned enterprise under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, which owns the entire issued share capital of CTS (Holdings)
“China CTS Group”	China CTS and its subsidiaries and associates, but excluding the Group for the purpose of this announcement
“Company”	China Travel International Investment Hong Kong Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“CTG Investment”	CTG Investment Management Corporation Limited, a company established in Hong Kong with limited liability, a direct wholly-owned subsidiary of CTS (Holdings) and an indirect wholly-owned subsidiary of China CTS
“CTS (Holdings)”	China Travel Service (Holdings) Hong Kong Limited, a company interested in 61.15% of the issued share capital of the Company and a controlling shareholder of the Company
“CTS Real Estate Group”	CTG Investment and CTS Shenzhen Investment and their respective subsidiaries. Its principal business include investment, development and management of tourism real estate projects
“CTS Shenzhen Investment”	CTS (Shenzhen) Investment Development Limited, a company established in the PRC with limited liability and a direct wholly-owned subsidiary of China CTS
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Parties”	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, for the purpose of this announcement, exclusively refer to Mainland China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Shares”	ordinary shares in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percentage

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

Hong Kong, 18 March 2022

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Jiang Hong, Mr. Lo Sui On and Mr. Tang Yong; two non-executive Directors, namely Mr. Wu Qiang and Mr. Tsang Wai Hung; and five independent non-executive Directors, namely Mr. Tse Cho Che Edward, Mr. Zhang Xiaoke, Mr. Huang Hui, Mr. Chen Johnny and Mr. Song Dawei.